

City of Monroe, Michigan

Comprehensive Annual Financial Report with Supplemental Information for the Year Ended June 30, 2008

Mayor

Mark G. Worrell

City Manager

George A. Brown

City Council

Robert E. Clark

Edward F. Paisley

Kelvin McGhee

Jeremy J. Molenda

Mary V. Connor

Brian P. Beneteau

Prepared by:

Finance Director

Edward J. Sell Jr.

City of Monroe, Michigan

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City of Monroe, Michigan

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Introductory Section



CITY OF MONROE

November 17, 2008

Honorable Mayor, Members of the City
Council and Citizens of the City of Monroe:

We are pleased to submit the City of Monroe Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2008. This report was prepared by the City Finance Department. The financial statements are the representations of the management of the City. Responsibility for both the accuracy of the prepared data and the completeness and fairness of the presentation, including all disclosures, rests with the management of the City. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds, and component units of the City. All necessary disclosures are included in the document to enable the reader to gain an understanding of the City's financial activities.

In developing and evaluating the City's accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition; and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The cost of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits to be derived; and (2) the evaluation of costs and benefits requires estimates and judgments by management.

All internal control evaluations occur within the above framework. The City's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

State of Michigan statutes and City Charter require an independent audit of the City's financial transactions and records. The City is required to undergo an annual single audit of its federal financial assistance in conformity with the provisions of the Single Audit Act of 1984 and the U.S. Office of Management and Budget Circular A-133, Audits of State and Local Governments. Information related to this single audit, including schedules, the independent auditors' reports on internal control structure, compliance with applicable laws and regulations and official information are included in the single audit section. Plante & Moran, PLLC, whose opinion and reports are included, has performed this audit for Fiscal Year 2008.

Included in the financial section of the CAFR is a Management Discussion and Analysis (MD&A) letter. The letter provides additional information and analysis from City management regarding the financial results. It is supplementary information to the financial statements that is intended to provide the financial statement reader

with additional insight into the City's financial operations. It also provides the reader with additional information as to the layout and contents of the CAFR.

City Government Profile

The last page of the introductory section of the CAFR provides basic information regarding the City of Monroe, the governmental structure, and demographic information. An organizational chart is also included in the introductory section.

This report includes all the funds of the City as legally defined, as well as its component units. Component units are legally separate entities for which the City is financially accountable. These agencies are the Monroe Downtown Development Authority, the Monroe Brownfield Redevelopment Authority, the Monroe Building Authority and the Port of Monroe.

Michigan law requires that the City adopt budgets for the General Fund and all Special Revenue Funds. The City goes beyond this requirement and adopts budgets for all city funds, except for agency type funds. The process for adopting the budget includes adoption of a Capital Improvement Program budget by the end of February each year, submittal of a budget recommendation by the City Manager to the City Council by April 1 of each year, and final adoption of the budget by the City Council by April 30 of each year. Each of these dates is required to be met as set forth in the City Charter. Expenditures are controlled at the department level (General Fund) or fund level (all other funds). Although encumbrances are reservations of the expenditure budget and not expenditures, they are used as an extension of formal budgetary control. The City Charter also states that "Every appropriation, except an appropriation for capital expenditure, shall lapse at the close of the fiscal year to the extent it has not been expended or encumbered. An appropriation for a capital expenditure shall continue in force until the purpose for which it was made has been accomplished or abandoned."

Economic Condition and Outlook

Monroe is a major employment center with companies such as Detroit Edison, Automotive Components Holdings, and MAC Steel maintaining facilities here. Monroe is also home to La-Z-Boy, Inc., World Headquarters. The average annual unemployment rate for the area has averaged 5.8% over the last ten years. The unemployment rate for Monroe County as of June 30, 2008 was 8.3%. The current state of decline in the auto industry and the economy in the State of Michigan in general, the closing of an automotive manufacturing plant that was at one time the City's largest employer, future taxable value decreases expected due to expected declines in housing values, and requests for taxable value decreases from Detroit Edison are significant factors relating to the City's future financial position.

Building permits for new construction and alterations were valued at approximately \$24 million. This represents an increase of 20 percent over the five-year average of \$19.9 million. The increase in value was primarily due to a couple large commercial building projects. Fiscal year 2006 was a poor year generating permits valued at \$9.3 million. The number of permits issued decreased, from 996 in 2007 to 827 in 2008, a 16.9% decrease. Prior to fiscal year 2005, building permits issued per year

had averaged 1,489. The number of permits issued in 2008 was the lowest in the last 14 years.

The primary long term financial plan adopted by the City is the annual Capital Improvements Program (CIP) budget. A reduced growth in taxable value due to current economic conditions and Proposal A will make it difficult to fund CIP projects at the level they have been in the past. One of the primary goals of the city council is to fund capital improvements at an acceptable level and to not allow the need to reduce the operating budget to take away funds planned for capital improvements.

In recent years, a forecasting process has begun for the General Fund. When a budget is adopted for the upcoming fiscal year, a forecast is immediately done for the following fiscal year. A financial forecast was completed for fiscal year 2010 and it was presented to the Mayor and City Council in June of 2008. Due to expected declines in taxable value, loss of tax base due to an automotive plant closing, flat revenue from state shared revenues, and increased labor costs primarily from healthcare, pension, and retiree health care, a budget deficit of approximately \$807,000 has been forecast. The City will look at many options during the upcoming fiscal year to balance the 2010 general fund budget.

Property taxes represent 69% of the General Fund revenues. Proposal "A", passed by voters in 1994, shifted school financing to the state sales tax, providing relief from property taxes. Relief is afforded through a homestead exemption from 18 mills of local school millage and a cap in assessment growth. Taxable values are capped at the lesser of 5% or general inflation by individual parcel, until a property is "transferred". Taxable valuation is distinguished from state equalized values formerly used as the base for property taxation. Tax base growth is mainly the result of new construction. For the 2007 tax year, covering fiscal 2007-8, the overall taxable value was approximately 142 million below state equalized value reducing potential tax revenue by \$2.19 million due to the cap, with \$1.94 million of that amount being attributed to general operating purposes.

State shared revenue accounts for approximately 11% of the City's General Fund revenue. This revenue was down 1.7 percent from the previous year due to slower than anticipated growth in the State's sales tax collections and the state's budget problems. The reduction is also partially due to the bi-monthly payments being distributed over a different schedule. We have received the same amount of state shared revenue the last three years based on the State of Michigan's fiscal year ending on September 30. We continue to be conservative with budget estimates on the revenue side, and at the same time, be focused on controlling expenditure levels.

The City has adopted financial policies that guide the City in its financial management practices. The City takes these policies into account in preparation of the annual budget and in reviewing the budget status of each fund during the fiscal year.

A primary focus of management is constant improvement of customer service. Satisfaction of Monroe's citizens/customers continues to be the organization's

driving force. All services provided are evaluated on the basis of benefits provided both to individual users and the Monroe community as a whole. This effort is reflected in both operations and in planning and budgeting, where performance measure data has been captured for operational review.

Various capital projects were funded with the adoption of the 2007-2008 budget. The following projects were active in 2007-2008:

Local Streets:

- East Seventh Street Reconstruction
- East Lorain Resurfacing
- Michigan Bridge Reconstruction
- Harbor Avenue Reconstruction
- Campus Place Reconstruction
- Hollywood Reconstruction

Major Streets:

- West 8th Street/S. Roessler Resurfacing
- North Custer Resurfacing
- West 7th Resurfacing and Curb Replacement
- East 1st Resurfacing
- Cooper Reconstruction

Water System:

- Harbor Avenue Water Main
- Huber Street Water Main
- Michigan Avenue Water Main
- West 8th Water Main
- Water Distribution System Improvements(Bonded Project)

Major planned projects for fiscal 2007-2008:

- City Hall Improvements (Carpet, Windows, Courtyard)
- East Front Street Reconstruction
- Harbor Avenue Reconstruction
- Arthur Lesow Community Center Gym Floor Replacement
- ADA Ramp Replacement
- Sidewalk Replacement
- East Elm Bike Path
- Water Distribution System Improvements
- Wastewater Plan Rehabilitation

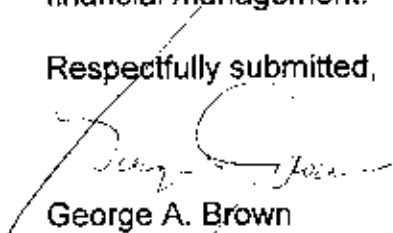
Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Monroe for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2007. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.


A Certificate of Achievement is valid for a period of one year only. We have been advised that future certificates may not be awarded to the City of Monroe due to noncompliance with generally accepted accounting principles in the Port of Monroe financial statements and the associated disclaimer of opinion issued the Port of Monroe's auditors. We will work with the Port of Monroe to implement new accounting principles related to environmental remediation costs and liabilities.

Lastly, we wish to recognize the professional contributions and extra efforts of the entire Finance Staff throughout the year, particularly during the preparation of this report. The City's financial system and internal control structure has involvement from many departments. We also wish to recognize those departments for their contributions to maintaining the system with a high level of accuracy throughout the fiscal year. We also wish to thank the Mayor and City Council Members for their continued interest and support of the City's goal of excellence in all respects of financial management.

Respectfully submitted,



George A. Brown
City Manager



Edward J. Sell Jr.
Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Monroe
Michigan

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2007

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



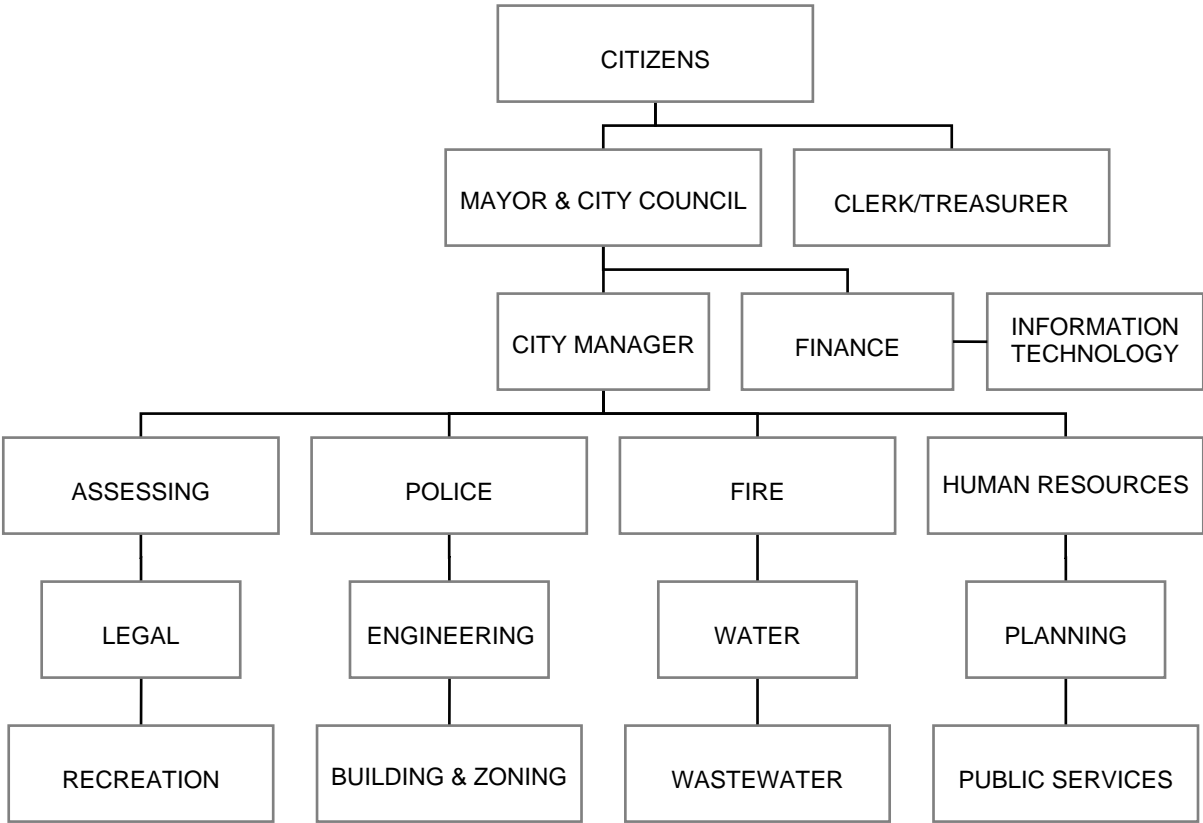
Charles S. Cox

President

Jeffrey R. Enos

Executive Director

CITY OF MONROE ORGANIZATIONAL CHART



CITY OF MONROE, MICHIGAN

List of Principal Officials

Title	Name
Mayor	Mark G. Worrell
Council Members:	
First Precinct	Robert E. Clark
Second Precinct	Edward F. Paisley
Third Precinct	Kelvin McGhee
Fourth Precinct	Jeremy J. Molenda
Fifth Precinct	Mary V. Conner
Sixth Precinct	Brian P. Beneteau
City Clerk/Treasurer	Charles D. Evans
City Manager	George A. Brown
Police Chief	John B. Michrina
Fire Chief	Joe Mominee
Finance Director	Edward J. Sell Jr.
Building Official	Joe Lehmann
Director of Engineering and Public Services	Patrick Lewis
Director of Water and Wastewater Utilities	Barry LaRoy
Assessor	Samuel J. Guich
Human Resources Director	Peggy Howard
Interim Director of Planning and Recreation	Jeffery Green
City Attorney	Ready, Sullivan, Ready

Facts about Monroe

The City of Monroe is located in Monroe County in the far southeast portion of Michigan's Lower Peninsula. Located approximately 35 miles south of Detroit, Michigan, 15 miles north of Toledo, Ohio, and 40 miles southeast of Ann Arbor, Michigan, Monroe is the county seat with a population of 22,076 according to the 2000 Census.

Monroe is Michigan's third oldest continuous settlement, founded in 1784. The City operates under a manager-council form of government. Its most recent charter was adopted December 8, 1913. The City is incorporated under Michigan law as a home rule city.

Elected officials are composed of the mayor, city clerk/treasurer, and six councilpersons, representing six precincts, elected at large. All terms of office are two years. Department heads are appointed by and serve at the pleasure of the city manager with the exception of the finance director who serves at the pleasure of the mayor and council. The city manager is responsible for administration of all departments and functions of City government not under the jurisdiction of any other elected official or the Civil Service Commission. The city clerk/treasurer is responsible for keeping the public records and for receipt, disbursement, and custody of public monies and other evidences of value held by or belonging to the City. The council is responsible for all legislative matters including adoption of the City budget.

Financial Section

Independent Auditor's Report

To the City Council
City of Monroe, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Monroe, Michigan (the "City") as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Monroe, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Port of Monroe (a discretely presented proprietary component unit), which reflect total assets of \$5,246,513 at June 30, 2008 and total revenue of \$540,030 for the year then ended. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Port of Monroe, is based solely on the report of the other auditors. The other auditors' report, dated October 16, 2008, disclaimed an opinion because of significant uncertainty related to environmental remediation.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, except for the financial information related to the Port of Monroe (whose auditors disclaimed an opinion), the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Monroe, Michigan as of June 30, 2008 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

To the City Council
City of Monroe, Michigan

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Monroe, Michigan's basic financial statements. The management's discussion and analysis, retirement system schedules of funding progress and employer contributions, and the General Fund budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. The introductory section, other supplemental information, and statistical section, as identified in the table of contents, are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The budgetary comparison schedules and the combining statements included in other supplemental information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. We have applied certain limited procedures to the management's discussion and analysis and the retirement system schedules of funding progress and employer contributions, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2008 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide opinions on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Plante & Moran, PLLC

November 12, 2008

City of Monroe, Michigan

Management's Discussion and Analysis

Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended June 30, 2008:

The shared sales tax portion of state-shared revenue, our second largest revenue source, was reduced by \$48,661 to \$2,066,280. The reduction was primarily due to sales tax collections by the State of Michigan being less than estimated in the state budget and a different schedule of payments as compared to the prior year. The State of Michigan pays revenue sharing to local governments based on its fiscal year, which ends on September 30. For the last three state fiscal years, the City of Monroe has received \$2,077,359 in revenue sharing. For the State of Michigan fiscal year ended September 30, 2000, the City of Monroe was paid \$2,852,494 in revenue sharing. In response to this reduction over the years, the City has reduced expenditures by not filling selected vacant positions, monitored overtime, and delayed capital equipment expenditures.

- Fund balance for the General Fund decreased \$8,541 to \$3,201,654. This was better than the budgeted ending fund balance. Included in fund balance at fiscal year end were items encumbered but not yet purchased. Those items will be funded from fund balance in fiscal year 2008, and they amounted to \$137,270 at fiscal year end. A \$521,000 operating transfer from the Capital Project Fund was required to balance the budget.
- The City's Budget Stabilization Fund Balance remained at \$2.0 million.
- The City has reduced the number of approved full-time positions to 198 from its peak of 258 in fiscal year 2002.
- The City received approximately \$1.45 million in state and federal funds for the environmental cleanup of the River Raisin Battlefield.
- The City paid \$328,910 to Automotive Components Holdings (ACH) for a property tax assessment appeal settlement. The total payment, including taxes from other units of government, amounted to \$1.147 million.
- Expenditures related to capital projects totaled \$6.122 million.
- Total net assets related to the City's governmental activities decreased by approximately \$3.8 million.

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

City of Monroe, Michigan

Management's Discussion and Analysis (Continued)

The fund financial statements present a short-term view; they tell us how the citizens' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the City's operations in more detail than the government-wide financial statements by providing information about the City's most significant funds. The fiduciary fund statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

The City as a Whole

The following table shows, in a condensed format, the net assets as of the current date and compared to the prior year:

TABLE I

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Assets						
Current assets	\$ 33,454,443	\$ 33,619,095	\$ 9,965,317	\$ 10,734,239	\$ 43,419,760	\$ 44,353,334
Equity in joint ventures	-	-	3,847,194	3,837,192	3,847,194	3,837,192
Restricted assets	-	-	6,310,635	-	6,310,635	-
Capital assets	71,946,980	73,642,748	51,142,699	50,221,608	123,089,679	123,864,356
Total assets	105,401,423	107,261,843	71,265,845	64,793,039	176,667,268	172,054,882
Liabilities						
Current liabilities	23,187,647	21,496,655	1,804,963	2,249,521	24,992,610	23,746,176
Long-term liabilities	8,649,346	8,397,896	8,720,000	2,675,000	17,369,346	11,072,896
Total liabilities	31,836,993	29,894,551	10,524,963	4,924,521	42,361,956	34,819,072
Net Assets						
Invested in capital assets -						
Net of related debt	65,521,257	67,326,685	48,598,334	47,466,608	114,119,591	114,793,293
Restricted	1,568,799	1,517,780	-	-	1,568,799	1,517,780
Unrestricted	6,474,374	8,522,827	12,142,548	12,401,910	18,616,922	20,924,737
Total net assets	\$ 73,564,430	\$ 77,367,292	\$ 60,740,882	\$ 59,868,518	\$ 134,305,312	\$ 137,235,810

The City's combined net assets decreased by 2.1 percent from a year ago - decreasing from \$137.2 million to \$134.3 million. The decrease in net assets is due to flat or declining revenues and due to increased expenditures in the areas of public safety, public works, and community development. Pension and fuel costs were reasons for the cost increase in public safety. The environmental cleanup costs of Mason Run and the River Raisin Battlefield site were the reasons for the cost increases in public works. The reduction in net assets is also due to a decrease in the value of capital assets. This means that the City did not reinvest in its capital assets at the same level as which they were depreciating in value.

As we look at the governmental activities separately from the business-type activities, we can see that unrestricted net assets, the part of net assets that can be used to finance day-to-day operations, decreased by \$2.04 million for governmental activities. This represents a decrease of approximately 24 percent. The current level of unrestricted net assets for governmental activities stands at \$6.474 million, or about 22 percent of expenditures. The decrease is due to the same factors previously discussed on a government-wide basis.

City of Monroe, Michigan

Management's Discussion and Analysis (Continued)

The following table shows the changes in the net assets during the current year and as compared to the prior year:

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Net Assets - Beginning of year	\$ 77,367,292	\$ 78,387,154	\$ 59,868,518	\$ 59,775,739	\$ 137,235,810	\$ 138,162,893
Revenue						
Program revenue:						
Charges for services	4,969,473	3,931,292	11,844,611	11,034,166	16,814,084	14,965,458
Operating grants and contributions	1,515,662	2,389,324	-	-	1,515,662	2,389,324
Capital grants and contributions	4,942	5,036	941,925	268,370	946,867	273,406
General revenue:						
Property taxes	15,221,446	14,695,520	-	-	15,221,446	14,695,520
State-shared revenue	2,092,805	2,092,605	-	-	2,092,805	2,092,605
Unrestricted investment earnings	1,029,899	1,086,134	347,378	468,483	1,377,277	1,554,617
Franchise fees	253,205	244,743	-	-	253,205	244,743
Other revenue	204,379	231,642	-	-	204,379	231,642
Total revenue	25,291,811	24,676,296	13,133,914	11,771,019	38,425,725	36,447,315
Program Expenses						
General government	2,543,977	2,990,303	-	-	2,543,977	2,990,303
Public safety	12,093,279	10,557,003	-	-	12,093,279	10,557,003
Public works	10,697,812	8,558,891	-	-	10,697,812	8,558,891
Community development	1,383,129	1,056,860	-	-	1,383,129	1,056,860
Culture and recreation	2,176,732	2,299,055	-	-	2,176,732	2,299,055
Interest on long-term debt	273,314	290,567	-	-	273,314	290,567
Water and wastewater	-	-	12,187,980	11,621,719	12,187,980	11,621,719
Total program expenses	29,168,243	25,752,679	12,187,980	11,621,719	41,356,223	37,374,398
Excess (Deficiency)	(3,876,432)	(1,076,383)	945,934	149,300	(2,930,498)	(927,083)
Transfers	73,570	56,521	(73,570)	(56,521)	-	-
Change in Net Assets	(3,802,862)	(1,019,862)	872,364	92,779	(2,930,498)	(927,083)
Net Assets - End of year	<u>\$ 73,564,430</u>	<u>\$ 77,367,292</u>	<u>\$ 60,740,882</u>	<u>\$ 59,868,518</u>	<u>\$ 134,305,312</u>	<u>\$ 137,235,810</u>

The presentation of certain 2007 items has been reclassified to conform to their presentation in 2008.

City of Monroe, Michigan

Management's Discussion and Analysis (Continued)

Revenue for the City as a whole was up \$1.978 million (5.43 percent). Percentage changes from the prior year in the individual revenue categories were as follows:

Revenue Category	Total		Change +/-	% Change
	2008	2007		
Charges for services	\$ 16,814,084	\$ 14,965,458	\$ 1,848,626	12.35%
Operating grants and contributions	1,515,662	2,389,324	(873,662)	-36.57%
Capital grants and contributions	946,867	273,406	673,461	246.32%
Property taxes	15,221,446	14,695,520	525,926	3.58%
State-shared revenue	2,092,805	2,092,605	200	0.01%
Unrestricted investment earnings	1,377,277	1,554,617	(177,340)	-11.41%
Franchise fees	253,205	244,743	8,462	3.46%
Other revenue	204,379	231,642	(27,263)	-11.77%
Total	<u>\$ 38,425,725</u>	<u>\$ 36,447,315</u>	<u>\$ 1,978,410</u>	5.43%

Charges for services revenue increased due to increases in ambulance service revenue, building inspection fees, and revolving loan fund revenues related to the Mason Run environmental cleanup. Capital grants and contributions increased due to an increase in private utility installations and a fee increase related to city water installations.

Program expenses for the City as a whole increased by \$3.981 million (10.65 percent). Program expenses decreased in the areas of general government (\$446,326 or 15 percent) and culture and recreation (\$122,323 or 5.3 percent). Public safety expenses increased \$1,536,276 (14.5 percent) with the primary reason for the increase being an increased contribution for employee pension benefits and general operating cost increases. Public works expenses increased \$2,138,921 (25 percent) due to the Mason Run brownfield cleanup, increased winter street maintenance costs, and increased street surface maintenance costs. Community development expenses increased \$326,269 (31 percent) primarily due to environmental cleanup costs related to the River Raisin Battlefield and the Mason Run brownfield site. Water and wastewater expenses increased \$566,261 (4.9 percent) with the primary reasons for the increase being increases in employee cost, administrative fees, oversize main costs, and general operating costs (utilities, maintenance, and chemicals).

The City's total governmental revenues increased by \$615,515 (2.5 percent) due to increases in property tax revenue and charges for services. Governmental program expenses increased by \$3,415,564 (13.3 percent) due to the reasons previously mentioned related to public safety, public works, and community development costs. The increases were considered to be in line with expectations.

City of Monroe, Michigan

Management's Discussion and Analysis (Continued)

Business-type Activities

The City's business-type activities consist of the Water and Wastewater Funds. The City operates the LePage Raw Water Pump Station in partnership with Frenchtown Charter Township and sells water to surrounding communities. The City also provides wastewater treatment through a City-owned and operated sewage treatment plant. The City experienced an operating loss of \$79,519 in the Water and Wastewater Funds. This was reduced from the prior year loss of \$477,715. The loss was primarily due to flat water sales and a general increase in operating costs related to operating supplies and personnel cost.

The analysis of the City's major funds begins on page 16, following the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the City as a whole. The City Council creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as street maintenance. The City's major funds for the year ended June 30, 2008 include the General Fund, the Economic Development Fund, the Wastewater Fund, and the Water Fund.

The General Fund pays for most of the City's governmental services. The most significant are police and fire services, which incurred expenses of approximately \$10.85 million, or 55 percent of General Fund expenditures. The costs of these departments are generally funded by property tax revenue sources of the General Fund. The Economic Development Fund accounts for seed financing related to development projects and grant or loan funded development projects that are coordinated with the Brownfield Redevelopment Authority. Loans made under a revolving loan program funded by the Environmental Protection Agency and loans received from the State of Michigan were the primary reason this fund is reported as a major fund. The City has been approved for \$3.0 million in loans and revolving fund loans for the environmental cleanup of the Mason Run development and the River Raisin Battlefield site. The fund will return to a non-major fund status when these projects are completed. The activities of the Wastewater and Water Funds are disclosed under "business-type activities" above.

City of Monroe, Michigan

Management's Discussion and Analysis (Continued)

General Fund Budgetary Highlights

Over the course of the year, the City amended the budget to take into account events during the year. City departments overall stayed below budget, resulting in total expenditures of \$19,927,717, or 1.44 percent, below budget. In addition to this amount, \$137,270 was encumbered at the fiscal year end and the budget amount will be transferred to the 2009 fiscal year. A report of the General Fund expenditures follows:

Department	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
City Council	\$ 151,730	\$ 144,550	\$ 129,518	\$ 15,032
City manager	335,098	319,242	302,434	16,808
Clerk-Treasurer	502,657	834,493	824,073	10,420
Finance	461,922	383,700	375,007	8,693
Assessor	353,151	334,982	334,030	952
Attorney	259,317	235,278	234,493	785
Human resources	297,371	308,834	308,831	3
Engineering	329,576	165,529	164,559	970
City hall grounds	299,537	292,727	289,280	3,447
Police	5,831,288	5,865,110	5,730,739	134,371
Fire	5,102,538	5,097,497	5,092,383	5,114
Zoning/Ordinance enforcement	265,841	272,047	234,772	37,275
Public works - Department of Public Services	1,799,564	2,034,477	2,034,217	260
Community development	308,230	248,889	241,772	7,117
Historic District Commission	5,650	3,510	1,604	1,906
Social services	155,500	155,500	155,500	-
Public access TV	126,250	126,603	126,603	-
Recreation	2,351,238	2,148,760	2,100,400	48,360
Library	68,500	68,500	68,500	-
Debt service	210,157	209,249	209,248	1
Interest expense	42,888	42,888	42,888	-
Contingencies	135,000	-	-	-
Other uses - Transfers out	1,108,829	927,080	926,866	214
Total	<u>\$ 20,501,832</u>	<u>\$ 20,219,445</u>	<u>\$ 19,927,717</u>	<u>\$ 291,728</u>

The original budget of \$20,501,832 was decreased to \$20,219,445 by fiscal year end. The decrease was primarily due to elimination of full-time employment positions that became vacant due to retirement or resignation. Some of the more significant budget variances were as follows:

- **Clerk-Treasurer** - The original budget related to Clerk-Treasurer activities was \$502,657. It was amended during the fiscal year to \$834,493, a 66 percent increase. This increase was due to a settlement that was reached with Automotive Components Holdings (ACH) during the fiscal year on a property tax assessment appeal. The cost of the settlement to the City had to be added to the budget during the fiscal year.

City of Monroe, Michigan

Management's Discussion and Analysis (Continued)

- **Finance** - The Finance Department original budget was reduced from \$461,922 to \$383,700 due to the elimination of one of five positions budgeted for the department.
- **Engineering** - The Engineering Department budget was reduced from its original adopted amount of \$329,576 to \$165,529. The reduction was primarily due to the increased allocation of the department's labor cost to other city departments, such as streets, water, and capital projects.
- **Police** - The Police Department was under budget by \$134,371. This is somewhat deceiving as \$112,131 in items was encumbered at fiscal year end. This made the true amount which the Police Department was under budget \$22,240. The main area where costs came in under budget was building rental (\$22,444).
- **Zoning/Ordinance Enforcement** - The department was under budget by \$37,275 or 13.7 percent. This was primarily due to the elimination of an employment position.
- **Public Works/Department of Public Services** - The original budget was \$1,799,564. It was amended to \$2,034,477 during the fiscal year. The increase was due to additional overtime related to winter street maintenance, funding one more position than planned, additional forestry equipment rental, and a reduction in the amount of labor costs charged to other city funds.
- **Community Development** - The original budget of \$308,230 was amended to \$248,889. This was due to the elimination of one planner position.
- **Recreation** - The recreation budget was decreased from its original budget of \$2,351,238 to \$2,148,760. The reduction was primarily due to the elimination of a supervisory position, elimination of a park maintenance position, and a reduction in the Multi-Sports Complex budget related to a reduction in utility costs.

Revenue was originally budgeted at \$20,501,832. The original budget included a charge to the Wastewater Department of \$136,801 that could not be charged. It also included a transfer in from other funds of \$806,910. This transfer was reduced to \$521,000 during the fiscal year as expenditure budget reductions were able to be made.

Revenue came in under budget by \$119,885, or 0.60 percent. This decrease was primarily due to recreation charges for services being \$107,000 less than what was budgeted. The recreation charges include programs operated by the recreation department, such as softball and volleyball, and revenue generated by the multi-sports complex.

The amended budget estimated a reduction in fund balance to \$3,029,811. The actual fund balance decreased by \$8,541 to \$3,201,654. Of that fund balance amount, \$137,690 will be spent on encumbered items, making the amount of the fund balance available for appropriation \$3,063,964.

City of Monroe, Michigan

Management's Discussion and Analysis (Continued)

Capital Asset and Debt Administration

At the end of 2008, the City had net capital assets of \$123,089,679 invested in a broad range of capital assets, including buildings, roads, police and fire equipment, and water and sewer lines. Debt related to those capital assets amounted to \$8,970,088. Capital projects completed or in progress during fiscal year 2008 include continuation of the ADA ramp replacement program, repaving of portions of West Seventh, East First Street, Cooper Street, East Seventh Street, Michigan Avenue, and East Lorain Street, replacement of a log loader truck, demolition and cleanup of the River Raisin Battlefield, continued sanitary sewer rehabilitation, a facility rehabilitation for the Wastewater Treatment Plant, replacement of various water mains, city hall roof and HVAC system replacements, document imaging, and many others.

The City entered into one installment purchase agreement during the fiscal year in the amount of \$159,230. It was entered into for the purpose of purchasing a log loader truck.

A capital improvement bond was issued for the city water system in the amount of \$6.36 million. The funds will be used to acquire, construct, furnish, and equip certain water supply system improvements, including rehabilitation and replacement of water mains and looping of water mains. Related to the bond issue, the City of Monroe received a financial rating from Standard & Poor's of A+.

The City is pursuing debt issues through State of Michigan financing programs for improvements to the water and wastewater systems. The City is currently using 15.92 percent of its legal debt margin of \$114,419,861. Debt service makes up 1.08 percent of our total general governmental expenditures. Bonded debt and other long-term obligations were increased by \$7,282,740 primarily due to the installment purchase agreement and bond issue previously explained and a \$763,510 loan from the State of Michigan for cleanup of the River Raisin Battlefield site.

More detailed information concerning capital assets and long-term debt can be found in Notes 5 and 7, respectively, in the notes to the financial statements.

Other Significant Matters

The unemployment rate in the Monroe County region has worsened over the last fiscal year, but it continues to compare favorably against the State of Michigan average, as can be seen in the following table:

	<u>County</u>	<u>Michigan</u>
6/30/2008	8.30%	8.70%
6/30/2007	6.50%	7.40%
6/30/2006	5.90%	6.50%
6/30/2005	5.90%	6.90%
6/30/2004	6.90%	7.30%

The county unemployment rate had increased to 10.8 percent at the end of August 2008.

City of Monroe, Michigan

Management's Discussion and Analysis (Continued)

The closure of an automotive industry supplier in calendar year 2008 which was the City's largest employer will have a significant impact on the economy and finances of the City. The facility currently generates approximately \$471,000 in property tax revenue for the City's General Fund budget. That amount represents 2.45 percent of the budgeted General Fund revenue for fiscal year 2009.

The City's fiscal year 2008-2009 General Fund budget decreased when compared to the 2007-2008 budget primarily due to a reduction in the number of employees budgeted. The adopted revenue and expenditures for each fiscal year's budget are as follows:

<u>Originally Adopted General Fund Budget Totals</u>			
	<u>June 30, 2009</u>	<u>June 30, 2008</u>	<u>Decrease</u>
Revenue	\$ 19,154,575	\$ 20,501,832	6.57%
Expenditures	19,154,575	20,501,832	6.57%

The 2009 budget is balanced without any appropriations from other city funds, including the Budget Stabilization Fund. The first quarterly review indicates that the budget remains balanced. The budget included significant cost reductions in the police and fire department budgets. It budgeted for 205 full-time employees. This is reduced from previous full-time employment numbers in excess of 250. Operating changes have since been made that have reduced the number of full-time employees approved to 198. The initial General Fund budget included over \$900,000 budgeted for capital projects.

Due to the impact of Proposal A, however, the City needs to continue to monitor its budget very closely. The state-wide Tax Reform Act limits growth in taxable value on any individual property to the lesser of inflation or 5 percent. Some properties increase in value by less than inflation, resulting in the total taxable value for the City growing by less than the rate of inflation, before considering new property additions. In addition, due to the general economic downturn, property values are declining significantly. Taxable value decreased 1.4 percent for the 2009 fiscal year. The reduction in taxable value for fiscal year 2010 will most likely exceed that amount.

The combination of healthcare costs, increases in pension funding, and funding of future retiree healthcare liabilities have all significantly contributed to the financial burden that exists on the City's General Fund budget. The City's pension system contribution for fiscal year 2009 is \$1,439,268 and it will increase to \$1,483,539 for fiscal year 2010. The City received an actuarial valuation report for the retiree healthcare system which calculated the annual required contribution (ARC) for fiscal year 2009 at \$4,663,334. The City currently has \$2,802,394 budgeted toward the ARC for fiscal year 2009. The liability will need to be reduced through collective bargaining with the City's unions. All contracts between employment unions and the City of Monroe expire on June 30, 2008.

City of Monroe, Michigan

Management's Discussion and Analysis (Continued)

The Mason Run development and River Raisin Battlefield site environmental remediation projects will continue into fiscal year 2009. They are expected to be completed during the fall of 2008. Additional development will be slow due to the declining housing market. A study is currently being completed by the National Park Service to recommend whether the River Raisin Battlefield site should be accepted into the national park system.

Interest rates have been declining and with the current slowdown in the economy will continue to be low. This will affect the amount of investment income the City can count on to fund its annual budget. Continued softness in the Michigan economy will continue to put pressure on state revenue sharing. Due to these factors and the others discussed in this section, a budget deficit is expected for fiscal year 2010.

Contacting the City's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional information, you are welcome to contact the finance department.

City of Monroe, Michigan

Government-wide Statement of Net Assets June 30, 2008

	Primary Government			Component
	Governmental	Business-type	Total	Units
	Activities	Activities		
Assets				
Cash and cash equivalents (Note 3)	\$ 12,220,109	\$ 1,297,396	\$ 13,517,505	\$ 610,331
Investments (Note 3)	12,404,124	4,045,925	16,450,049	341,000
Receivables - Net:				
Taxes	2,698,356	31,116	2,729,472	48,800
Customers	177,206	2,347,045	2,524,251	32,744
Special assessments	164,159	70,176	234,335	-
Accrued interest	29,957	10,179	40,136	2,701
Economic development loans	108,216	-	108,216	-
Other	1,132,741	19,884	1,152,625	25,030
Due from other governmental units	1,081,131	-	1,081,131	352,398
Due from primary government (Note 6)	-	-	-	407,364
Due from component units (Note 6)	1,615,152	780,531	2,395,683	-
Internal balances (Note 6)	(815,050)	815,050	-	-
Inventories	2,269,410	390,987	2,660,397	-
Prepaid costs and other assets	368,932	157,028	525,960	14,292
Equity in joint ventures (Note 11)	-	3,847,194	3,847,194	-
Restricted assets	-	6,310,635	6,310,635	20,610
Nondepreciable capital assets (Note 5)	3,085,315	367,931	3,453,246	-
Depreciable capital assets - Net (Note 5)	68,861,665	50,774,768	119,636,433	4,737,612
Total assets	105,401,423	71,265,845	176,667,268	6,592,882
Liabilities				
Accounts payable	2,145,427	472,808	2,618,235	581,720
Accrued and other liabilities	2,578,209	521,817	3,100,026	2,037
Deposit	-	-	-	6,000
Due to other governmental units	-	190,182	190,182	-
Due to primary government (Note 6)	-	-	-	2,395,683
Due to component units (Note 6)	407,364	-	407,364	-
Unearned revenue (Note 4)	17,340,724	485,156	17,825,880	415,964
Noncurrent liabilities (Note 7):				
Due within one year	578,659	135,000	713,659	20,000
Due in more than one year	8,100,291	8,720,000	16,820,291	485,062
Compensated absences:				
Due within one year	137,264	-	137,264	-
Due in more than one year	549,055	-	549,055	-
Total liabilities	31,836,993	10,524,963	42,361,956	3,906,466
Net Assets				
Invested in capital assets - Net of related debt	65,521,257	48,598,334	114,119,591	4,532,550
Restricted:				
Streets and highways	1,064,184	-	1,064,184	-
Rubbish and recycling	133,266	-	133,266	-
Building code activities	89,005	-	89,005	-
Grants	201,968	-	201,968	-
Drug forfeitures	80,376	-	80,376	-
Unrestricted	6,474,374	12,142,548	18,616,922	(1,846,134)
Total net assets	\$ 73,564,430	\$ 60,740,882	\$ 134,305,312	\$ 2,686,416

City of Monroe, Michigan

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs				
Primary government:				
Governmental activities:				
General government	\$ 2,543,977	\$ 146,008	\$ 28,907	\$ -
Public safety	12,093,279	1,508,019	28,045	-
Public works	10,697,812	726,972	1,458,710	4,942
Community development	1,383,129	1,696,001	-	-
Culture and recreation	2,176,732	892,473	-	-
Interest on long-term debt	273,314	-	-	-
Total governmental activities	29,168,243	4,969,473	1,515,662	4,942
Business-type activities:				
Water	6,028,092	5,599,299	-	941,925
Wastewater	6,159,888	6,245,312	-	-
Total business-type activities	12,187,980	11,844,611	-	941,925
Total primary government	<u>\$ 41,356,223</u>	<u>\$ 16,814,084</u>	<u>\$ 1,515,662</u>	<u>\$ 946,867</u>
Component units:				
Port of Monroe	\$ 657,383	\$ 134,171	\$ -	\$ -
Downtown Development Authority	251,707	-	-	-
Brownfield Redevelopment Authority	2,227,921	-	257,370	-
Total component units	<u>\$ 3,137,011</u>	<u>\$ 134,171</u>	<u>\$ 257,370</u>	<u>\$ -</u>
General revenues:				
Property taxes:				
Operating				
Refuse				
Unrestricted state-shared revenues				
Unrestricted investment earnings				
Franchise fees				
Other				
Unrestricted transfers				
Total general revenues and transfers				
Change in Net Assets				
Net Assets - Beginning of year				
Net Assets - End of year				

Government-wide Statement of Activities
Year Ended June 30, 2008

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Units
Governmental Activities	Business-type Activities	Total	
\$ (2,369,062)	\$ -	\$ (2,369,062)	\$ -
(10,557,215)	-	(10,557,215)	-
(8,507,188)	-	(8,507,188)	-
312,872	-	312,872	-
(1,284,259)	-	(1,284,259)	-
(273,314)	-	(273,314)	-
(22,678,166)	-	(22,678,166)	-
-	513,132	513,132	-
-	85,424	85,424	-
-	598,556	598,556	-
(22,678,166)	598,556	(22,079,610)	-
-	-	-	(523,212)
-	-	-	(251,707)
-	-	-	(1,970,551)
-	-	-	(2,745,470)
13,948,749	-	13,948,749	1,582,281
1,272,697	-	1,272,697	-
2,092,805	-	2,092,805	-
1,029,899	347,378	1,377,277	53,408
253,205	-	253,205	-
204,379	-	204,379	-
73,570	(73,570)	-	-
18,875,304	273,808	19,149,112	1,635,689
(3,802,862)	872,364	(2,930,498)	(1,109,781)
77,367,292	59,868,518	137,235,810	3,796,197
\$ 73,564,430	\$ 60,740,882	\$ 134,305,312	\$ 2,686,416

City of Monroe, Michigan

Governmental Funds Balance Sheet June 30, 2008

	General Fund	Economic Development Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash and investments	\$ 8,130,130	\$ 1,018,074	\$ 2,195,691	\$ 11,343,895
Investments	6,206,362	100,000	4,253,762	10,560,124
Receivables:				
Taxes	2,445,095	-	253,261	2,698,356
Customers	139,171	-	38,035	177,206
Special assessments	-	-	164,159	164,159
Accrued interest	11,796	1,024	9,104	21,924
Economic development loans	-	36,467	71,749	108,216
Other	833,446	-	128,863	962,309
Prepaid expenditures and other assets	22,951	-	33,095	56,046
Due from other governmental units	14,233	341,832	341,377	697,442
Due from other funds (Note 6)	13,075	-	109,241	122,316
Due from component units (Note 6)	-	75,521	-	75,521
Advances to component units (Note 6)	-	1,539,618	-	1,539,618
Real estate inventories	2,206,830	-	-	2,206,830
Total assets	\$ 20,023,089	\$ 3,112,536	\$ 7,598,337	\$ 30,733,962
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 1,522,505	\$ 56,371	\$ 485,652	\$ 2,064,528
Accrued and other liabilities	313,750	-	12,855	326,605
Deferred revenue (Note 4)	14,168,975	2,193,593	1,790,574	18,153,142
Due to other funds (Note 6)	847	-	122,355	123,202
Due to component units (Note 6)	-	407,364	-	407,364
Advances from other funds (Note 6)	815,358	-	-	815,358
Total liabilities	16,821,435	2,657,328	2,411,436	21,890,199
Fund Balances				
Reserved:				
Prepaid expenditures	22,951	-	-	22,951
Real estate inventories net of related advances	1,391,472	-	-	1,391,472
Unreserved, reported in:				
General Fund	1,787,231	-	-	1,787,231
Special Revenue Funds	-	455,208	3,806,628	4,261,836
Debt Service Funds	-	-	165,735	165,735
Capital Projects Fund	-	-	1,214,538	1,214,538
Total fund balances	3,201,654	455,208	5,186,901	8,843,763
Total liabilities and fund balances	\$ 20,023,089	\$ 3,112,536	\$ 7,598,337	\$ 30,733,962
Fund Balance - Total Governmental Funds				\$ 8,843,763
Amounts reported for governmental activities in the statement of net assets are different because:				
Capital assets used in governmental activities are not financial resources and are not reported in the funds				71,946,980
Special assessment and property tax receivables are expected to be collected over several years and are not available to pay for current year expenditures				662,851
State revenue-sharing payments received over 60 days after year end are not reported in the funds				383,689
State grant payments received over 60 days after year end are not reported in the funds				149,567
Long-term liabilities are not due and payable in the current period and are not reported in the funds				(9,365,269)
Accrued interest is not recorded in the funds				(51,845)
Portions of the Internal Service Funds are included as part of governmental activities net of capital and long-term debt				994,694
Net assets of governmental activities				\$ 73,564,430

City of Monroe, Michigan

Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2008

	General Fund	Economic Development Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Revenue				
Property taxes	\$ 13,780,109	\$ -	\$ 1,272,697	\$ 15,052,806
Licenses and permits	352,325	-	524,452	876,777
Federal grants	28,907	1,188,533	318,182	1,535,622
State-shared revenues and grants	2,179,314	668,607	2,103,093	4,951,014
Charges for services	1,616,120	-	363,315	1,979,435
Fines and forfeitures	95,939	-	-	95,939
Interest	631,502	49,803	187,277	868,582
Special assessment	-	-	80,501	80,501
Rent	55,089	-	564,190	619,279
Other	37,059	195,568	256,413	489,040
Total revenue	18,776,364	2,102,511	5,670,120	26,548,995
Expenditures				
Current:				
General government	2,759,546	-	-	2,759,546
Public safety	10,964,990	-	136,492	11,101,482
Public works	2,034,217	3,020,740	5,340,941	10,395,898
Community development	241,772	-	88,864	330,636
Culture and recreation	2,452,607	-	-	2,452,607
Capital outlay	-	-	628,327	628,327
Debt service	252,136	-	481,610	733,746
Total expenditures	18,705,268	3,020,740	6,676,234	28,402,242
Excess of Revenue Over (Under) Expenditures	71,096	(918,229)	(1,006,114)	(1,853,247)
Other Financing Sources (Uses)				
Transfers in	521,000	-	1,173,330	1,694,330
Transfers out	(600,637)	-	(1,201,722)	(1,802,359)
Proceeds from issuance of long-term debt	-	763,510	-	763,510
Total other financing sources (uses)	(79,637)	763,510	(28,392)	655,481
Net Change in Fund Balances	(8,541)	(154,719)	(1,034,506)	(1,197,766)
Fund Balances - Beginning of year	3,210,195	609,927	6,221,407	10,041,529
Fund Balances - End of year	<u>\$ 3,201,654</u>	<u>\$ 455,208</u>	<u>\$ 5,186,901</u>	<u>\$ 8,843,763</u>

City of Monroe, Michigan

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2008

Net Change in Fund Balances - Total Governmental Funds	\$ (1,197,766)
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:	
Depreciation expense	(4,911,813)
Capital outlay expenditures	3,216,045
Revenue reported in the statement of activities that does not provide current financial resources is not reported as revenue in the governmental funds (GASB No. 33)	(388,282)
Repayment of debt principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	545,449
Bond and loan proceeds are not reported as financing sources on the statement of activities	(922,740)
Interest is recorded as it accrues in the statement of activities	5,301
Increases in accumulated employee sick and vacation pay, as well as estimated general liability claims, are recorded when earned in the statement of activities	116,976
Portions of the Internal Service Funds are also included as governmental activities	(266,032)

Change in Net Assets of Governmental Activities	<u>\$ (3,802,862)</u>
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City of Monroe, Michigan

Proprietary Funds Statement of Fund Net Assets June 30, 2008

	Enterprise Funds				
	Major Funds		Building Authority -	Totals	Internal Service Funds
	Wastewater	Water	Nonmajor Fund		
Assets					
Current assets:					
Cash and cash equivalents	\$ 614,845	\$ 682,436	\$ 115	\$ 1,297,396	\$ 876,214
Investments	3,070,957	397,968	577,000	4,045,925	1,844,000
Receivables:					
Taxes	27,746	3,370	-	31,116	-
Customers	1,217,909	1,129,136	-	2,347,045	-
Special assessment	-	70,176	-	70,176	-
Interest	7,645	166	2,368	10,179	8,033
Other	-	19,884	-	19,884	170,432
Due from other funds (Note 6)	-	-	-	-	1,217
Due from component units (Note 6)	-	-	-	-	13
Inventories	-	390,987	-	390,987	62,580
Prepaid costs and other assets	-	157,028	-	157,028	312,886
Total current assets	4,939,102	2,851,151	579,483	8,369,736	3,275,375
Noncurrent assets:					
Advances to other funds (Note 6)	-	815,358	-	815,358	-
Advances to component units (Note 6)	-	780,531	-	780,531	-
Equity in joint ventures (Note 11)	-	3,847,194	-	3,847,194	-
Restricted assets - Unspent bond proceeds	-	6,310,635	-	6,310,635	-
Capital assets (Note 5)	16,114,790	34,673,618	354,291	51,142,699	1,347,165
Total noncurrent assets	16,114,790	46,427,336	354,291	62,896,417	1,347,165
Total assets	21,053,892	49,278,487	933,774	71,266,153	4,622,540
Liabilities					
Current liabilities:					
Accounts payable	271,886	200,922	-	472,808	80,899
Accrued and other liabilities	190,666	331,151	-	521,817	2,199,759
Due to other funds (Note 6)	143	165	-	308	23
Due to other governmental units	-	190,182	-	190,182	-
Deferred revenue (Note 4)	-	-	485,156	485,156	-
Current portion of long-term debt (Note 7)	-	135,000	-	135,000	37,505
Total current liabilities	462,695	857,420	485,156	1,805,271	2,318,186
Noncurrent liabilities - Long-term debt - Net of current portion (Note 7)	-	8,720,000	-	8,720,000	159,230
Total liabilities	462,695	9,577,420	485,156	10,525,271	2,477,416
Net Assets					
Investment in capital assets - Net of related debt	16,114,790	32,129,253	354,291	48,598,334	1,150,430
Unrestricted (Note 2)	4,476,407	7,571,814	94,327	12,142,548	994,694
Total net assets	<u>\$ 20,591,197</u>	<u>\$ 39,701,067</u>	<u>\$ 448,618</u>	<u>\$ 60,740,882</u>	<u>\$ 2,145,124</u>

City of Monroe, Michigan

Proprietary Funds Statement of Revenue, Expenses, and Changes in Fund Net Assets Year Ended June 30, 2008

	Enterprise Funds				
	Major Funds		Building Authority - Nonmajor Fund	Totals	Internal Service Funds
	Wastewater	Water			
Operating Revenue					
Sale of water	\$ -	\$ 4,881,099	\$ -	\$ 4,881,099	\$ -
Sewage disposal charges	5,646,205	-	-	5,646,205	-
State grants	375,311	-	-	375,311	-
Charges to other funds	-	-	-	-	4,507,279
Other charges for services	223,796	708,198	-	931,994	42,805
Total operating revenue	6,245,312	5,589,297	-	11,834,609	4,550,084
Operating Expenses					
Operations and maintenance	1,406,620	984,820	-	2,391,440	5,210,587
Direct cost of providing service	3,759,338	3,777,566	-	7,536,904	-
Depreciation	993,930	991,854	-	1,985,784	165,625
Total operating expenses	6,159,888	5,754,240	-	11,914,128	5,376,212
Operating Income (Loss)	85,424	(164,943)	-	(79,519)	(826,128)
Nonoperating Revenue (Expenses)					
Investment income	160,635	160,366	26,377	347,378	156,097
Interest expense	-	(149,208)	-	(149,208)	(9,692)
Net income from equity in joint ventures	-	10,002	-	10,002	-
Total nonoperating revenue	160,635	21,160	26,377	208,172	146,405
Income (Loss) - Before capital contributions	246,059	(143,783)	26,377	128,653	(679,723)
Capital Contributions	-	941,925	-	941,925	-
Transfers					
Transfers from other funds	-	-	-	-	265,651
Transfers to other funds	(48,651)	(24,919)	-	(73,570)	(84,052)
Total transfers	(48,651)	(24,919)	-	(73,570)	181,599
Change in Net Assets	197,408	773,223	26,377	997,008	(498,124)
Net Assets - Beginning of year	20,393,789	38,927,844	422,241	59,743,874	2,643,248
Net Assets - End of year	<u>\$ 20,591,197</u>	<u>\$ 39,701,067</u>	<u>\$ 448,618</u>	<u>\$ 60,740,882</u>	<u>\$ 2,145,124</u>
Change in Net Assets - Enterprise Funds				\$ 997,008	
A portion of Internal Service Fund activity has been attributed to business-type activities				(124,644)	
Change in Net Assets of Business-type Activities				<u>\$ 872,364</u>	

City of Monroe, Michigan

Proprietary Funds Statement of Cash Flows Year Ended June 30, 2008

	Enterprise Funds				
	Major Funds		Building Authority - Nonmajor Fund	Totals	Internal Service Funds
	Wastewater	Water			
Cash Flows from Operating Activities					
Receipts from customers	\$ 5,695,715	\$ 4,816,415	\$ -	\$ 10,512,130	\$ 4,544,534
Payments to suppliers	(2,682,425)	(2,685,797)	-	(5,368,222)	(4,786,528)
Payments to employees for wages and benefits	(2,603,209)	(2,585,775)	-	(5,188,984)	(921,281)
Other receipts	599,107	708,198	-	1,307,305	42,805
Net cash provided by (used in) operating activities	1,009,188	253,041	-	1,262,229	(1,120,470)
Cash Flows from Noncapital Financing Activities -					
Transfers in (out)	(48,651)	(24,919)	-	(73,570)	181,599
Cash Flows from Capital and Related Financing Activities					
Purchase of capital assets	(879,485)	(1,368,712)	-	(2,248,197)	(181,334)
Collection of capital charges	-	283,247	-	283,247	-
Principal and interest paid on capital debt	-	(409,208)	-	(409,208)	(45,765)
Proceeds from issuance of debt	-	6,360,000	-	6,360,000	159,230
Net cash provided by (used in) capital and related financing activities	(879,485)	4,865,327	-	3,985,842	(67,869)
Cash Flows from Investing Activities					
Interest received on investments	165,854	165,100	28,623	359,577	182,513
Purchase of investment securities	(1,172,618)	-	(29,000)	(1,201,618)	(68,000)
Proceeds from sale and maturities of investment securities	-	562,280	-	562,280	616,000
Net cash provided by (used in) investing activities	(1,006,764)	727,380	(377)	(279,761)	730,513
Net Increase (Decrease) in Cash and Cash Equivalents	(925,712)	5,820,829	(377)	4,894,740	(276,227)
Cash and Cash Equivalents - Beginning of year	1,540,557	1,172,242	492	2,713,291	1,152,441
Cash and Cash Equivalents - End of year	<u>\$ 614,845</u>	<u>\$ 6,993,071</u>	<u>\$ 115</u>	<u>\$ 7,608,031</u>	<u>\$ 876,214</u>
Statement of Net Assets Classification of Cash and Cash Equivalents					
Cash and cash equivalents	\$ 614,845	\$ 682,436	\$ 115	\$ 1,297,396	\$ 876,214
Restricted assets - Unspent bond proceeds	-	6,310,635	-	6,310,635	-
Total cash and cash equivalents	<u>\$ 614,845</u>	<u>\$ 6,993,071</u>	<u>\$ 115</u>	<u>\$ 7,608,031</u>	<u>\$ 876,214</u>

City of Monroe, Michigan

Proprietary Funds Statement of Cash Flows (Continued) Year Ended June 30, 2008

	Enterprise Funds				
	Major Funds		Building Authority - Nonmajor Fund	Totals	Internal Service Funds
	Wastewater	Water			
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities					
Operating income (loss)	\$ 85,424	\$ (164,943)	\$ -	\$ (79,519)	\$ (826,128)
Adjustments to reconcile operating income (loss) to net cash from operating activities:					
Depreciation and amortization	993,930	991,854	-	1,985,784	165,625
Changes in assets and liabilities:					
Receivables	(105,710)	(231,269)	-	(336,979)	(22,116)
Prepays	-	(157,028)	-	(157,028)	(6,047)
Due from other governmental units	155,220	-	-	155,220	-
Due from other funds	-	-	-	-	59,371
Due from component units	-	166,585	-	166,585	5
Inventories	-	28,535	-	28,535	(29,112)
Accounts payable	(105,246)	(526,135)	-	(631,381)	(340,467)
Due to other funds	(383)	106,526	-	106,143	(55,982)
Accrued and other liabilities	(14,047)	38,916	-	24,869	(65,619)
Net cash provided by (used in) operating activities	<u>\$ 1,009,188</u>	<u>\$ 253,041</u>	<u>\$ -</u>	<u>\$ 1,262,229</u>	<u>\$ (1,120,470)</u>

Noncash Activity - During the current year, \$658,678 of contributed water lines were recorded as fixed asset additions.

City of Monroe, Michigan

Fiduciary Funds Statement of Net Assets June 30, 2008

	Pension and Other Employee Benefit Trust Funds	Private Purpose Trust - Cemetery	Agency Funds
Assets			
Cash and cash equivalents (Note 3)	\$ 801,209	\$ 43,764	\$ 9,642,880
Investments:			
U.S. government securities	26,308,138	-	-
Stocks	57,700,744	164,727	-
Bonds	23,664,088	-	-
Mutual funds	24,020,341	104,680	-
Other investments	3,304,052	5,886	-
Securities lending short-term collateral	13,559,713	-	-
Receivables - Accrued interest	524,781	11,751	-
Other assets	89,507	-	2,642,357
Total assets	149,972,573	330,808	<u><u>\$ 12,285,237</u></u>
Liabilities			
Accounts payable	-	9,603	\$ 9,081
Accrued and other liabilities	849,652	-	-
Due to other governmental units	-	-	12,276,156
Amounts due to broker under securities lending agreement	13,559,713	-	-
Total liabilities	14,409,365	9,603	<u><u>\$ 12,285,237</u></u>
Net Assets - Held in trust for pension, other employee benefits, and cemetery purposes	<u><u>\$ 135,563,208</u></u>	<u><u>\$ 321,205</u></u>	

City of Monroe, Michigan

Fiduciary Funds Statement of Changes in Net Assets - Pension and Other Employee Benefit Trust Funds and Private Purpose Trust Fund Year Ended June 30, 2008

	Pension and Other Employee Benefit Trust Funds	Private Purpose Trust Fund - Cemetery
Additions		
Investment income:		
Interest and dividends	\$ 4,122,564	\$ 791
Net decrease in fair value of investments	(5,839,563)	(16,071)
Less investment expenses	<u>(860,860)</u>	<u>-</u>
Net investment loss	(2,577,859)	(15,280)
Securities lending income:		
Interest and fees	821,360	-
Less borrower rebates and bank fees	<u>(731,642)</u>	<u>-</u>
Net securities lending income	89,718	-
Contributions:		
Employer	4,039,626	-
Employee	637,152	-
General Fund contribution	-	21,200
Charges for services	<u>-</u>	<u>34,890</u>
Total contributions	<u>4,676,778</u>	<u>56,090</u>
Total additions	2,188,637	40,810
Deductions		
Benefit payments	7,464,876	-
Refunds of contributions	59,555	-
Administrative expenses	<u>117,496</u>	<u>48,614</u>
Total deductions	<u>7,641,927</u>	<u>48,614</u>
Net Decrease	(5,453,290)	(7,804)
Net Assets Held in Trust		
Beginning of year	<u>141,016,498</u>	<u>329,009</u>
End of year	<u>\$ 135,563,208</u>	<u>\$ 321,205</u>

City of Monroe, Michigan

Component Units Statement of Net Assets (Deficit) June 30, 2008

	Port of Monroe	Downtown Development Authority	Brownfield Redevelopment Authority	Total
Current Assets				
Cash and cash equivalents	\$ 40,057	\$ 350,860	\$ 219,414	\$ 610,331
Investments	-	32,000	309,000	341,000
Receivables:				
Taxes	48,800	-	-	48,800
Customers	32,744	-	-	32,744
Due from other governmental units	352,398	-	-	352,398
Due from primary government	-	-	407,364	407,364
Accrued interest receivable	-	1,254	1,447	2,701
Prepaid expenses and other assets	14,292	1,000	24,030	39,322
Total current assets	488,291	385,114	961,255	1,834,660
Long-term Assets				
Capital assets	4,737,612	-	-	4,737,612
Restricted assets	20,610	-	-	20,610
Total long-term assets	4,758,222	-	-	4,758,222
Total assets	5,246,513	385,114	961,255	6,592,882
Current Liabilities				
Accounts payable	117,797	13,213	450,710	581,720
Deposit	6,000	-	-	6,000
Accrued expenses	151	1,886	-	2,037
Due to primary government (Note 6)	-	13	75,521	75,534
Deferred revenue	415,964	-	-	415,964
Current portion of advances payable to primary government (Note 6)	-	-	197,276	197,276
Current portion of long-term debt	20,000	-	-	20,000
Total current liabilities	559,912	15,112	723,507	1,298,531
Noncurrent Liabilities				
Advances payable to primary government - Net of current portion (Note 6)	-	-	2,122,873	2,122,873
Long-term debt - Net of current portion	20,000	-	-	20,000
Contract payable	165,062	-	-	165,062
Environmental liabilities	300,000	-	-	300,000
Total noncurrent liabilities	485,062	-	2,122,873	2,607,935
Total liabilities	1,044,974	15,112	2,846,380	3,906,466
Net Assets (Deficit)				
Investment in capital assets - Net of related debt	4,532,550	-	-	4,532,550
Restricted - Environmental trust	20,610	-	-	20,610
Unrestricted	(351,621)	370,002	(1,885,125)	(1,866,744)
Total net assets (deficit)	<u>\$ 4,201,539</u>	<u>\$ 370,002</u>	<u>\$ (1,885,125)</u>	<u>\$ 2,686,416</u>

The Notes to Financial Statements are an
Integral Part of this Statement.

City of Monroe, Michigan

		Program Revenues	
		Charges for	Operating
	Expenses	Services	Grants/ Contributions
Governmental activities:			
Downtown Development Authority -			
Public Works	\$ 251,707	\$ -	\$ -
Brownfield Redevelopment Authority -			
Public Works	<u>2,227,921</u>	<u>-</u>	<u>257,370</u>
Total governmental activities	<u>\$ 2,479,628</u>	<u>\$ -</u>	<u>\$ 257,370</u>
Business-type activities - Port of Monroe			
Public Works	<u>\$ 657,383</u>	<u>\$ 134,171</u>	<u>\$ -</u>
General revenues:			
Interest			
Property taxes			
Total general revenues			
Change in Net Assets (Deficit)			
Net Assets (Deficit) - Beginning of year			
Net Assets (Deficit) - End of year			

**Component Units
Statement of Activities
Year Ended June 30, 2008**

Net (Expense) Revenue and Changes in Net Assets			
Port of Monroe	Downtown Development Authority	Brownfield Redevelopment Authority	Total
\$ -	\$ (251,707)	\$ -	\$ (251,707)
-	-	(1,970,551)	(1,970,551)
-	(251,707)	(1,970,551)	(2,222,258)
(523,212)	-	-	(523,212)
5,080	20,998	27,330	53,408
400,779	244,726	936,776	1,582,281
405,859	265,724	964,106	1,635,689
(117,353)	14,017	(1,006,445)	(1,109,781)
4,318,892	355,985	(878,680)	3,796,197
\$ 4,201,539	\$ 370,002	\$ (1,885,125)	\$ 2,686,416

Note I - Summary of Significant Accounting Policies

The accounting policies of the City of Monroe, Michigan (the "City") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the City of Monroe, Michigan:

Reporting Entity

The City of Monroe, Michigan is governed by an elected seven-member council. The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Although blended component units are legal separate entities, in substance, they are part of the City's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City (see discussion below for description).

Blended Component Units

The City Building Authority is governed by a board that is appointed by the mayor and City Council. Although it is legally separate from the City, it is reported as if it were part of the primary government because its primary purpose is to finance and construct the City's public buildings.

Discretely Presented Component Units

The following component units are reported within the component units column in the combined financial statements. They are reported in a separate column to emphasize that they are legally separate from the City.

- a. The Downtown Development Authority was created to correct and prevent deterioration in the downtown district, encourage historical preservation, and to promote economic growth within the downtown district. The Authority's governing body is selected by the mayor and subject to approval by the City Council. In addition, the Authority's budget is subject to approval by the City Council. The Downtown Development Authority issues a separate financial statement that can be obtained at the administrative offices at 120 E. First Street, Monroe, MI 48161.

Note 1 - Summary of Significant Accounting Policies (Continued)

- b. The Brownfield Redevelopment Authority is a separate legal entity that was created to finance environmental cleanup within the City. The Authority's governing body is selected by the City Council, which has the authority to approve its budget. The Brownfield Redevelopment Authority issues a separate financial statement that can be obtained at the administrative offices at 120 E. First Street, Monroe, MI 48161.
- c. The Port of Monroe (the "Port") was established as a separate legal entity to operate port facilities within the boundaries of the City. The Port is governed by a Port Commission, which is appointed by the City Council. The Port Commission's annual budget is also approved by the City Council. The Port issues a separate financial statement that can be obtained at the administrative offices at 2929 E. Front Street, Monroe, MI 48161.

Jointly Governed Organizations - Jointly governed organizations are discussed in Note 11.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the City (the primary government) and its discretely presented component units. The effect of interfund activity has been removed from these statements. Interfund services provided and used are not eliminated in the process of consolidation. Governmental activities are reported separately from business-type activities. Likewise, the primary government is reported separately from the discretely presented component units for which the City is financially accountable. Governmental activities are normally supported by taxes and intergovernmental revenues. Business-type activities rely on user fees and charges.

The statement of activities demonstrates the degree to which the direct expenses of a given function (governmental activities) or identifiable activity (business-type activities) are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or activity and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Taxes and other items are reported instead as general revenue.

Note I - Summary of Significant Accounting Policies (Continued)

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements, excluding Agency Fund financial statements, which have no measurement focus. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period in which they become susceptible to accrual - that is, when they become both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Revenues susceptible to accrual include property taxes, intergovernmental revenue, special assessments, licenses, charges for services, and interest. All other revenue items are considered to be available only when cash is received by the City. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relates to charges to customers for sales and services. Operating expenses for proprietary funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Note 1 - Summary of Significant Accounting Policies (Continued)

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The City has elected not to apply private sector standards issued after November 30, 1989.

Fund Descriptions

The City reports the following major governmental funds:

General Fund - The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Economic Development Fund - The Economic Development Fund accounts for economic development activities within the City.

The City reports the following major proprietary funds:

Water Fund - The Water Fund accounts for the operation and maintenance of the water supply system, capital additions, and improvements and retirement of revenue bonds. Financing is provided by user charges, state grants, and contributions from other municipalities and customers. This fund is classified as an Enterprise Fund because it does business with individuals and firms outside the local unit departments. The system includes customers in the surrounding townships. The transportation lines to service those customers were installed by the individual townships and remain property of those townships.

Wastewater Fund - The Wastewater Fund accounts for the operation and maintenance of the sewage disposal system, capital additions, improvements, and retirement of revenue bonds. Financing is provided by user charges, EPA grants for wastewater treatment plant expansion, state grants, and contributions from other municipalities and customers. This fund is classified as an Enterprise Fund because business is done with individuals outside the local unit departments. The system includes customers in the surrounding townships. In order to fund the system, the surrounding townships contributed approximately 60 percent of the plant assets; accordingly, approximately 60 percent of the capacity rights are reserved for the township customers. In addition, the Monroe Metropolitan Water Pollution Control System Board of Control was established to approve the annual rates for wastewater customers.

Note I - Summary of Significant Accounting Policies (Continued)

Additionally, the City reports the following fund types:

Internal Service Funds - Internal Service Funds account for stores and equipment purchases, as well as technology purchases. In addition, the Internal Service Funds account for risk management related to health care, workers' compensation, and general liabilities.

Pension and Other Employee Benefit Trust Funds - The Pension and Other Employee Benefit Trust Funds account for the activities of the retirement system and the trust established to account for costs related to retiree health care.

Private Purpose Trust Fund (Cemetery Fund) - The Private Purpose Trust Fund (Cemetery Fund) accounts for the activities of the Woodland Cemetery. The cemetery is funded through contributions and fees.

Agency Fund - The Agency Fund accounts for tax collections that are held by the City in the capacity of trustee. The collections are then transferred to the other governmental units on a timely distribution basis.

Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Pooled investment income is generally allocated to each fund based on the percentage of principal invested by each fund.

Receivables and Payables - Outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." All trade receivables are shown net of allowance for uncollectible amounts.

Property Taxes - Property tax receivables are shown as net of allowance for uncollectible amounts. Properties are assessed as of December 31. The related property taxes are billed and become a lien on the first Tuesday in May of the following year. These taxes are due without penalty during the period from the first Tuesday in May through June 30 with the final collection date of September 15 before they are added to the county tax rolls.

Note 1 - Summary of Significant Accounting Policies (Continued)

Property taxes billed each May will be used to finance the following year's operations. As such, these taxes are recorded as deferred revenue in each respective fund at June 30, 2008. The 2007 taxable valuation of the City totaled \$974,275,210, on which ad valorem taxes levied consisted of 13.639 mills for the City's operating purposes and 1.315 mills for refuse. The ad valorem taxes raised \$12,795,000 for operations and \$1,234,000 for refuse. These amounts are recognized in the General Fund and Rubbish, Garbage, and Recycling Fund, respectively, as tax revenue.

Inventories and Prepaid Items - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Real Estate Inventory - Real estate inventory shown in the General Fund and governmental activities is held for resale and is valued at the lower of cost or market.

Restricted Assets - Restricted assets in the Water Fund represents cash from unspent bond proceeds from the 2008 General Obligation Water Meter Shop Bonds. The cash is restricted for specific capital improvements.

Capital Assets - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Infrastructure assets purchased prior to the implementation of GASB No. 34 (July 1, 2002) are included in capital assets.

Capital assets are depreciated using the straight-line method over the following useful lives:

Roads and sidewalks	15 to 20 years
Water and sewer distribution systems	40 to 75 years
Buildings and improvements	40 to 50 years
Vehicles	3 to 5 years
Machinery and equipment	3 to 7 years

Note I - Summary of Significant Accounting Policies (Continued)

Compensated Absences (Vacation and Sick Leave) - It is the City's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. There is a liability for a portion of the unpaid accumulated sick leave since the City has a policy to pay one-half of an employee's unused sick leave when the employee retires. All sick and vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end.

Long-term Obligations - In the government-wide financial statements and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Issuance costs are reported as debt service expenditures.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Note 2 - Stewardship, Compliance, and Accountability

Budgetary Information - The City is legally subject to the budgetary control requirements of State of Michigan P.A. 621 of 1978 (the "Uniform Budgeting Act"). The following statements represent a brief synopsis of the major provisions of this Act:

1. Budgets must be adopted for the General Fund and Special Revenue Funds.
2. The budgets must be balanced. The balanced budget may include a contribution to or appropriation from fund balance.
3. The budgets must be amended when necessary.
4. Debt cannot be entered into unless permitted by law.
5. Expenditures cannot exceed budget appropriations.
6. Expenditures cannot be made unless authorized in the budget.
7. All annual appropriations, except for items encumbered at fiscal year end and capital project budgets, lapse at fiscal year end.

The City adopts formal budgets for the General Fund, all Special Revenue Funds, the Debt Service Funds, and the Capital Projects Fund. Every appropriation, except an appropriation for capital expenditure, shall lapse at the close of the fiscal year to the extent it has not been expended or encumbered. An appropriation for a capital expenditure shall continue in force until the purpose for which it was made has been accomplished or abandoned.

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. By February of each year, all department heads submit spending requests to the finance director so that a budget may be prepared.
2. Before April, the proposed budget is submitted to the City Council for review.
3. Public hearings are held and a final budget is adopted no later than May 1.
4. The City Council must approve any budget amendments.

The budget document presents information by fund, function, department, and line items. The legal level of budgetary control adopted by the Council is the department level. Expenditures at this level in excess of budget appropriations are a violation of Michigan law.

Note 2 - Stewardship, Compliance, and Accountability (Continued)

Encumbrances are not included as expenditures. The amount of encumbrances outstanding at June 30, 2008 was \$797,403 for all funds. During the current year, the budget was amended in a legally permissible manner. The budget has been prepared in accordance with accounting principles generally accepted in the United States of America except for the following exceptions:

- Operating transfers and debt proceeds have been reflected as revenue and expenditures rather than as “other financing sources and uses.”
- Reimbursements from other funds “administrative fees” have been included in revenue, rather than as a reduction of expenditures.

A comparison of actual results of operations to the budgets as adopted by the City Council is included in the required supplemental information for the General Fund and Economic Development Fund (major funds) and in the other supplemental information for nonmajor funds that adopt budgets.

Fund Deficits - For the year ended June 30, 2008, the Brownfield Redevelopment Authority Fund has a fund deficit on a full accrual basis of \$1,885,125. This deficit will be eliminated over time as the property tax revenue captures increase when property cleanup is completed and property values increase.

Net Assets of Internal Service Funds - Certain net assets of Internal Service Funds have been designated by management for the following purposes:

Insurance	\$ 505,077
Employee benefits	51,278

It is management’s intention to use the net assets to pay future claims and insurance premiums.

Note 3 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The City has designated 14 banks for the deposit of its funds. The City's investment policy, adopted in accordance with state law, has authorized investment in bank accounts and CDs, as well as investment pools organized under the Surplus Funds Investment Act of 1982 and under the Investment Company Act of 1940. For mutual funds, the City may invest in funds registered under the Investment Company Act of 1940. This authorization is limited to investment pools and mutual funds whose intent is to maintain a net asset value of \$1.00 per share and allows for indirect investment in repurchase agreements and bankers' acceptances of United States banks, as allowable for direct investment by public corporations.

The City's Pension Trust Fund (the "Retirement System") is also authorized by Michigan Public Act 314 of 1965, as amended, to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, real estate (if the trust fund's assets exceed \$250 million), debt or equity of certain small businesses, certain state and local government obligations, and certain other specified investment vehicles. In addition, the City has adopted Public Act 149 of 1999, which created a trust which allows the Retiree Health Care Fund to also invest in assets in accordance with P.A. 314 of 1965.

As permitted by state statutes, and under the provisions of a Securities Lending Authorization Agreement, the Retirement System lends securities to broker-dealers and banks for collateral that will be returned for the same securities in the future. The Retirement System's custodial bank manages the securities lending program and receives cash, government securities, or irrevocable bank letters of credit as collateral. Borrowers are required to deliver collateral for each loan equal to not less than 100 percent of the market value of the loaned securities. During the year ended June 30, 2008, only United States currency was received as collateral. Moreover, there were no losses during the fiscal year resulting from a default of the borrowers or custodial bank.

Note 3 - Deposits and Investments (Continued)

The Retirement System did not impose any restrictions during the fiscal year on the amount of loans made on its behalf by the custodial bank. There were no failures by any borrowers to return loaned securities or pay distributions thereon during the fiscal year. Moreover, there were no losses during the fiscal year resulting from a default of the borrowers or custodial bank.

The Retirement System and the borrower maintain the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested, together with the cash collateral of other lenders, in an investment pool. The average duration of such investment pool as of June 30, 2008 was 94 days. Because the loans are terminable on demand, their duration did not generally match the duration of the investments made with cash collateral. On June 30, 2008, the Retirement System had no credit risk exposure to borrowers. The collateral held and the fair market value of the underlying securities on loan for the Retirement System as of June 30, 2008 were \$13,559,713 and \$13,108,580, respectively.

The City's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. At year end, the City had \$20,990,000 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories. The City has deposits of \$3,495,361 that are uninsured but collateralized with securities held by the pledging financial institution's agent but not in the depositor-government's name.

Note 3 - Deposits and Investments (Continued)

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The City's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270-day maturity. At year end, the average maturities of investments are as follows:

Investment	Fair Value	Investment Maturities		
		0-5 Years	5-15 Years	Over 15 Years
U.S. government or agency bond or note	\$ 25,589,614	\$ 10,698,698	\$ 7,506,947	\$ 7,383,969
Foreign bonds	1,880,183	1,468,507	411,676	-
Corporate bonds	26,335,160	14,650,995	6,555,507	5,128,658

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The City has no investment policy that would further limit its investment choices. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment	Fair Value	Rating	
		Organization	Rating
Bank investment pool	\$ 17,942,152	Fitch	AAA/V1
Bank investment pool	2,907,516	N/A	N/R
Corporate Bonds	7,038,665	S&P	AAA
Corporate Bonds	1,245,658	S&P	AA+
Corporate Bonds	1,506,515	S&P	AA
Corporate Bonds	1,139,161	S&P	AA-
Corporate Bonds	3,596,319	S&P	A+
Corporate Bonds	3,738,816	S&P	A
Corporate Bonds	1,699,760	S&P	A-
Corporate Bonds	2,736,870	S&P	BBB+
Corporate Bonds	2,133,491	S&P	BBB
Corporate Bonds	1,280,737	S&P	BBB-
Corporate Bonds	219,169	S&P	NR
Foreign Bonds	98,580	S&P	AA+
Foreign Bonds	441,360	S&P	AA-
Foreign Bonds	989,706	S&P	A-
Foreign Bonds	230,444	S&P	BBB+
Foreign Bonds	120,094	S&P	BBB

Note 3 - Deposits and Investments (Continued)

Foreign Currency Risk

Foreign currency risk is the risk that an investment denominated in the currency of a foreign country could reduce its U.S. dollar value as a result of changes in foreign currency exchange rates. At June 30, 2008, the pension system had \$1,880,183 invested in foreign bonds subject to foreign currency risk.

Declines in Investment Values - Subsequent to year end, the fair value of the City's investment portfolio (reflected in the pension systems and retiree healthcare funds) declined by approximately \$30,000,000, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined.

Risks and Uncertainties - The City invests in various securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the balance sheet.

Note 4 - Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Revenue recognition is deferred in connection with resources that have been received but not yet earned in the governmental funds, the proprietary funds, and on the government-wide statements. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	Governmental		Business-type
	Unavailable	Unearned	Unearned
Unspent grant proceeds	\$ -	\$ -	\$ 485,156
Property taxes for subsequent year's operations	-	15,289,875	-
Revolving loan	-	2,050,849	-
Grants receivable	149,567	-	-
Special assessments and delinquent property taxes	662,851	-	-
Total deferred revenue	<u>\$ 812,418</u>	<u>\$ 17,340,724</u>	<u>\$ 485,156</u>

City of Monroe, Michigan

Notes to Financial Statements June 30, 2008

Note 5 - Capital Assets

Capital asset activity of the City's governmental and business-type activities was as follows:

	Balance July 1, 2007	Additions	Disposals	Balance June 30, 2008
Governmental Activities				
Capital assets not being depreciated -				
Land	\$ 3,037,358	\$ 47,957	\$ -	\$ 3,085,315
Capital assets being depreciated:				
Roads and sidewalks	112,340,303	2,118,432	-	114,458,735
Buildings and improvements	13,994,504	604,816	-	14,599,320
Land improvements	2,434,165	75,414	-	2,509,579
Equipment	7,527,976	369,426	-	7,897,402
Subtotal	136,296,948	3,168,088	-	139,465,036
Accumulated depreciation:				
Roads and sidewalks	55,238,272	3,788,352	-	59,026,624
Buildings and improvements	4,697,886	310,813	-	5,008,699
Land improvements	661,580	115,246	-	776,826
Equipment	5,093,820	697,402	-	5,791,222
Subtotal	65,691,558	4,911,813	-	70,603,371
Net capital assets being depreciated	70,605,390	(1,743,725)	-	68,861,665
Net capital assets	<u>\$ 73,642,748</u>	<u>\$ (1,695,768)</u>	<u>\$ -</u>	<u>\$ 71,946,980</u>

City of Monroe, Michigan

Notes to Financial Statements June 30, 2008

Note 5 - Capital Assets (Continued)

	Balance July 1, 2007	Additions	Disposals	Balance June 30, 2008
Business-type Activities				
Capital assets not being depreciated -				
Land	\$ 367,931	\$ -	\$ -	\$ 367,931
Capital assets being depreciated:				
Water and sewer distribution systems	46,155,068	1,941,691	-	48,096,759
Land improvements	467,626	-	-	467,626
Buildings and improvements	23,440,289	550,801	-	23,991,090
Vehicles	1,292,082	81,100	-	1,373,182
Machinery and equipment	18,361,338	333,283	-	18,694,621
Subtotal	89,716,403	2,906,875	-	92,623,278
Accumulated depreciation:				
Water and sewer distribution systems	11,522,782	718,759	-	12,241,541
Land improvements	321,228	11,042	-	332,270
Buildings and improvements	12,125,075	461,486	-	12,586,561
Vehicles	952,188	128,434	-	1,080,622
Machinery and equipment	14,941,453	666,063	-	15,607,516
Subtotal	39,862,726	1,985,784	-	41,848,510
Net capital assets being depreciated	49,853,677	921,091	-	50,774,768
Net capital assets	\$ 50,221,608	\$ 921,091	\$ -	\$ 51,142,699

Depreciation expense was charged to functions of the primary government as follows:

Governmental activities:

General government	\$ 317,394
Public safety	407,798
Public works	3,819,006
Recreation and culture	201,990
Internal Service Fund depreciation is charged to the various functions based on their usage of the asset	165,625
Total governmental activities	<u>\$ 4,911,813</u>

Business-type activities:

Water	\$ 991,854
Wastewater	993,930
Total business-type activities	<u>\$ 1,985,784</u>

Note 5 - Capital Assets (Continued)

Construction Commitments - The City has various active construction and related projects at year end. The City's construction projects include the 2007 Americans with Disabilities Act sidewalk program and a water connections project, as well as various other City projects specifically allocated toward various capital improvements within the City. At year end, the City's significant commitments with contractors are as follows:

	<u>Total Commitment</u>	<u>Spent to Date</u>	<u>Remaining Commitment</u>
2007 ADA Sidewalk Program	\$ 587,020	\$ 407,534	\$ 179,486
SCW Interconnections Project and Harbor Ave. Water Main	<u>417,462</u>	<u>73,588</u>	<u>343,874</u>
Total	<u>\$ 1,004,482</u>	<u>\$ 481,122</u>	<u>\$ 523,360</u>

City of Monroe, Michigan

Notes to Financial Statements June 30, 2008

Note 6 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
Due to/from Other Funds		
General Fund	Nonmajor fund - Grants Fund	\$ 13,075
Nonmajor fund - Local Streets Fund	Nonmajor fund - Major Streets Fund	39,587
Nonmajor fund - Capital Projects Fund	Nonmajor fund - Grants Fund	<u>69,654</u>
Total nonmajor fund		109,241
Internal Service Fund - Employee Benefit Fund	General Fund	847
	Nonmajor governmental funds:	
	Parking Meter Fund	8
	Building Safety Fund	31
	Business-type funds:	
	Wastewater Fund	143
	Water Fund	165
	Internal Service Funds:	
	Information System Fund	1
	Stores and Equipment Fund	<u>22</u>
Total Internal Service Funds		<u>1,217</u>
Total interfund activity		<u><u>\$ 123,533</u></u>

These balances result from the time lag between the dates that goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

City of Monroe, Michigan

Notes to Financial Statements June 30, 2008

Note 6 - Interfund Receivables, Payables, and Transfers (Continued)

Receivable Fund	Payable Fund	Amount
Due to/from Primary Government and Component Units		
Economic Development Fund	Component unit - Brownfield Redevelopment Authority	\$ 75,521
Internal Service Fund - Employee Benefit Fund	Component unit - Downtown Development Authority	13
Component unit - Brownfield Redevelopment Authority	Economic Development Fund	<u>407,364</u>
Total interfund activity due to/from primary government and component units		<u>\$ 482,898</u>
Advances Due to/from Other Funds		
Water Fund	General Fund	<u>\$ 815,358</u>
Advances Due to/from Primary Government and Component Units		
Economic Development Fund	Component unit - Brownfield Redevelopment Authority	\$ 1,539,618
Business-type fund - Water Fund	Component unit - Brownfield Redevelopment Authority	<u>780,531</u>
Total advances due to/from primary government and component units		<u>\$ 2,320,149</u>

These balances result from the time lag between the dates that goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

Advances are being repaid with interest over a number of years.

City of Monroe, Michigan

Notes to Financial Statements June 30, 2008

Note 6 - Interfund Receivables, Payables, and Transfers (Continued)

Interfund Transfers

<u>Fund Transferred From</u>	<u>Fund Transferred To</u>	<u>Amount</u>
General Fund	Nonmajor governmental funds	(1) \$ 379,851
	Nonmajor governmental funds	(2) 20,000
	Nonmajor governmental funds	(3) 13,786
	Internal Service Funds	(3) 25,000
	Internal Service Funds	(4) <u>162,000</u>
	Total	600,637
Nonmajor governmental funds	General Fund	(1) 521,000
	Nonmajor governmental funds	(1) 672,789
	Internal Service Funds	(4) <u>7,933</u>
	Total	1,201,722
Internal Service Funds	Nonmajor governmental funds	(1) 63,200
	Nonmajor governmental funds	(3) 9,486
	Internal Service Funds	(4) <u>11,366</u>
	Total	84,052
Wastewater Fund	Nonmajor governmental funds	(1) 14,218
	Internal Service Funds	(4) <u>34,433</u>
	Total	48,651
Water Fund	Internal Service Funds	(4) <u>24,919</u>
	Total transfers	<u>\$ 1,959,981</u>

(1) Transfer for capital improvements

(2) Transfer for debt service

(3) For administrative purposes

(4) For employee benefits

City of Monroe, Michigan

Notes to Financial Statements June 30, 2008

Note 7 - Long-term Debt

The City issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. County contractual agreements and installment purchase agreements are also general obligations of the government.

Long-term obligation activity can be summarized as follows:

	Original Amount	Interest Rate Ranges	Principal Maturity Ranges	Maturing Through	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities									
General obligation bonds:									
MDEQ Site Revitalization Loan	\$ 1,000,000	2.25%	\$86,737-\$101,356	2015	\$ 734,546	\$ -	\$ 84,829	\$ 649,717	\$ 86,737
MDEQ Site Revitalization Loan - Mason Run	800,000	2%	\$73,061-\$87,315	2019	800,000	-	-	800,000	-
MDEQ Brownfield Development Loan - Battlefield	763,510	2%	\$62,744-\$76,484	2023	-	763,510	-	763,510	-
Michigan Resource Recovery Project grant repayment	200,000	-%	\$20,000	2010	60,000	-	20,000	40,000	20,000
2005 Monroe Building Authority Refunding Bonds	5,400,000	2.75%-4.375%	\$45,000-\$450,000	2024	5,315,000	-	45,000	5,270,000	45,000
1997 Building Authority Bonds - Ice Arena	6,265,000	5.375%-5.40%	\$200,000	2009	390,000	-	190,000	200,000	200,000
Total bond obligations					7,299,546	763,510	339,829	7,723,227	351,737
Installment purchase obligations									
HVAC installment purchase	439,400	4.44%	\$37,450-\$53,013	2017	439,400	-	35,858	403,542	37,450
Pumper truck installment purchase	167,510	4.19%	\$32,101-\$36,307	2012	167,510	-	30,810	136,700	32,101
Total installment purchase obligations					606,910	-	66,668	540,242	69,551
Equipment lease obligations:									
Equipment lease obligations	515,250	4.15%	\$107,149-\$111,596	2010	321,625	-	102,880	218,745	107,149
Equipment lease obligations	173,740	3.90%	\$37,505-\$37,022	2009	73,578	-	36,072	37,506	37,505
Equipment lease obligations	159,230	4.90%	\$12,717-\$19,542	2018	-	159,230	-	159,230	12,717
Total equipment lease obligations					395,203	159,230	138,952	415,481	157,371
Total bond, installment purchase, and equipment lease obligations					8,301,659	922,740	545,449	8,678,950	578,659
Compensated absences					803,295	160,659	277,635	686,319	137,264
Total governmental activities					\$ 9,104,954	\$ 1,083,399	\$ 823,084	\$ 9,365,269	\$ 715,923
Business-type Activities									
1997 General Obligation Unlimited Tax Water Refunding Bonds	\$ 1,740,000	4.4%-4.9%	\$155,000 - \$195,000	2010	\$ 530,000	\$ -	\$ 180,000	\$ 350,000	\$ -
2005 General Obligation Unlimited Capital Improvement Bonds	2,385,000	3.25%-4.25%	\$85,000 - \$175,000	2025	2,225,000	-	80,000	2,145,000	85,000
2008 General Obligation Water Meter Shop Bonds	6,360,000	3.25%-4.5%	\$50,000 - \$505,000	2028	-	6,360,000	-	6,360,000	50,000
Total business-type activities					\$ 2,755,000	\$ 6,360,000	\$ 260,000	\$ 8,855,000	\$ 135,000

City of Monroe, Michigan

Notes to Financial Statements June 30, 2008

Note 7 - Long-term Debt (Continued)

All governmental bond obligations are financed through the Debt Service Funds. Other long-term governmental obligations are typically financed through the General Fund. Annual debt service requirements to maturity for the above obligations, excluding compensated absences, are as follows:

	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2009	\$ 578,659	\$ 269,884	\$ 848,543	\$ 135,000	\$ 329,850	\$ 464,850
2010	561,202	249,137	810,339	315,000	358,900	673,900
2011	532,705	230,106	762,811	500,000	345,863	845,863
2012	539,447	228,991	768,438	340,000	330,250	670,250
2013	590,782	224,952	815,734	355,000	318,420	673,420
2014-2018	2,856,122	827,475	3,683,597	2,035,000	1,368,442	3,403,442
2019-2023	2,575,033	341,096	2,916,129	2,545,000	902,957	3,447,957
2024-2028	445,000	9,734	454,734	2,630,000	333,846	2,963,846
Total	<u>\$ 8,678,950</u>	<u>\$ 2,381,375</u>	<u>\$ 11,060,325</u>	<u>\$ 8,855,000</u>	<u>\$ 4,288,528</u>	<u>\$ 13,143,528</u>

Defeased Debt

In prior years, the City defeased certain bonds by placing the proceeds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the financial statements. At June 30, 2008, \$4,905,000 of bonds outstanding are considered to be defeased.

Note 8 - Risk Management

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The City participates in the Michigan Municipal League risk pool for claims related to general liability; the City is uninsured for workers' compensation and medical benefits.

The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts. Settled claims have not exceeded the amount of insurance coverage in the past three years.

Note 8 - Risk Management (Continued)

The City estimates the liability for workers' compensation and medical benefits that have been incurred through the end of the fiscal year, including claims that have been reported as well as those that have not yet been reported, which includes estimates of both future payments of losses and related claim adjustment expense, both allocated and unallocated. The liability is based on individual claims and management's evaluation of experience with respect to the probable number and nature of claims. Any adjustments resulting from the settlement of losses will be reflected in earnings at the time the adjustments are determined. These estimates are recorded in the Employee Benefit Internal Service Funds and within the Retiree Health Care Employee Benefit Trust Fund. Changes in the estimated liability for the past two fiscal years were as follows:

	2008	2007
Unpaid claims - Beginning of year	\$ 607,593	\$ 627,808
Incurred claims (including claims incurred but not reported)	2,123,818	2,008,403
Claim payments	<u>(2,018,740)</u>	<u>(2,028,618)</u>
Unpaid claims - End of year	<u>\$ 712,671</u>	<u>\$ 607,593</u>

Note 9 - Defined Benefit Pension Plan

Plan Description - The City of Monroe Employee Retirement System is a single employer defined benefit pension plan that includes hybrid (combination of defined benefit and defined contribution) expenditures and is administered by the City of Monroe. This plan covers substantially all full-time employees of the City. The system provides retirement, disability, and death benefits to plan members and their beneficiaries.

At December 31, 2007, the date of the most recent actuarial valuation, membership consisted of 210 retirees and beneficiaries currently receiving benefits, 17 terminated employees entitled to benefits but not yet receiving them, and 232 current active employees. The plan does not issue a separate financial report.

Note 9 - Defined Benefit Pension Plan (Continued)

Funding Policy and Contributions - Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when they are due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. The obligation to contribute to and maintain the system for these employees was established by negotiation with the City's collective bargaining units and requires a contribution from the employees of 2 percent to 5.5 percent of gross wages, depending on the bargaining unit. The funding policy provides for periodic employer contributions at actuarially determined rates. The plan has been fully funded for several years. Administrative costs of the plan are financed through investment earnings.

All plan investments are reported at fair value. Securities traded on a national exchange are valued at the last reported sales price on June 30, 2008. Securities without an established market are reported at estimated fair value.

Annual Pension Costs - The annual contribution for the year ended June 30, 2008 was \$1,444,880. The annual required contribution was determined as part of an actuarial valuation at December 31, 2005, using the entry age cost method. Significant actuarial assumptions used include (a) a 7.5 percent investment rate of return, (b) projected salary increases of 4.5 percent per year, (c) additional salary increases of 0 percent to 4 percent related to merit and/or longevity, and (d) 2 percent to 3 percent per year cost of living adjustments (depending on bargaining unit). Both (a) and (b) are determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percent of payroll on a closed basis. The remaining amortization period is 28 years.

Note 9 - Defined Benefit Pension Plan (Continued)

Funded Status and Funding Progress - As of December 31, 2007, the most recent actuarial valuation date, the plan was 117.7 percent funded. The actuarial accrued liability for benefits was \$110,753,000 and the actuarial value of assets was \$130,366,000, resulting in an unfunded actuarial accrued liability of (\$19,613,000). The covered payroll (annual payroll for active employees covered by the plan) was \$13,372,000 and the ratio for the unfunded actuarial accrued liability to the covered payroll was 146.7 percent.

The schedule of funding progress, presented as required supplemental information following the notes to the financial statements, presents multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Reserves - As of June 30, 2008, the plan's legally required reserves have been fully funded as follows:

Reserve for employees' contributions	\$ 9,193,546
Reserve for retired benefit payments	74,552,263

Three-year trend information as of June 30 follows:

	Fiscal Year Ended June 30		
	2006	2007	2008
General Employees' Retirement System:			
Annual pension costs (APC)	\$ 479,028	\$ 487,016	\$ 1,444,880
Percentage of APC contributed	100%	100%	100%
Net pension obligation	\$ -	\$ -	\$ -

Note 10 - Other Postemployment Benefits

Plan Description - The City provides retiree healthcare benefits to eligible employees and their spouses. Benefits are provided to employees covered under the Employees' Retirement System. Currently, the plan has 451 members (including employees in active service, terminated employees not yet receiving benefits, and retired employees and beneficiaries currently receiving benefits).

This is a single employer defined benefit plan administered by the City. The benefits are provided under collective bargaining agreements and other contracts. The plan does not issue a separate stand-alone financial statement. Administrative costs are paid by the plan through employer contributions.

Funding Policy - The collective bargaining agreements and contracts do not require contributions from employees. Retiree healthcare costs are recognized when paid by the City on a "pay-as-you-go" basis. The City has no obligation to make contributions in advance of when the insurance premiums are due for payment. In the current year, the City paid postemployment healthcare premiums of \$2,043,250, and also contributed \$551,496 into a prefunded retiree healthcare fund, which is reported in this financial statement as a Pension and Other Employee Benefit Trust Fund type.

The funding progress of the plan as of the most recent valuation date is as follows:

Valuation as of December 31, 2006:

Actuarial value of assets	\$ 8,668,479
Actuarial accrued liability (AAL)	62,970,849
Unfunded AAL (UAAL)	54,302,370
Funded ratio	13.77%
Annual covered payroll	13,372,000
Ratio of UAAL to annual covered payroll	406.09%

Note 10 - Other Postemployment Benefits (Continued)

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the December 31, 2006 actuarial valuation, the individual entry age actuarial cost method was used. The actuarial assumptions included a 7 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 11 percent initially, reduced by decrements to an ultimate rate of 4.5 percent after 10 years. Both rates included a 4.5 percent inflation assumption. Actuarial gains and losses reduce (increase) the UAAL as they occur. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2006 was 30 years.

Upcoming Reporting Change - The Governmental Accounting Standards Board has recently released Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" postemployment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree healthcare coverage over the working life of the employee, rather than at the time the healthcare premiums are paid. The new pronouncement is effective for the year ending June 30, 2009.

City of Monroe, Michigan

Notes to Financial Statements June 30, 2008

Note 11 - Joint Venture

In October 1991, for the purpose of owning and operating a raw water intake facility, the City and Frenchtown Township formed the Monroe-Frenchtown Raw Water Supply Partnership (the "Partnership"). The Partnership began operations in December 1994 upon completion of Frenchtown Township's own water processing plant.

The City has an 18/26 interest and the Township has an 8/26 interest in the Partnership. Each partner's governing body has an equal vote in managing the affairs of the Partnership. The operation and maintenance costs are split based on actual water consumption. In addition, the Township pays the City an administrative fee of 12.5 percent of its share of operation and maintenance costs. The following financial information of the Partnership was obtained from its audited financial statements for the year ended June 30, 2008:

Total assets	\$ 5,579,824
Total liabilities	22,704
Total equity	5,557,120
Total revenue	357,256
Total operating expenses	342,808
Increase in equity	14,448

Complete financial statements for the joint venture can be obtained from the administrative offices at 120 E. First Street, Monroe, Michigan.

The City's equity interest in the Partnership of \$3,847,194 is recorded in the Water Fund.

Note 12 - Economic Dependency

Three taxpayers account for approximately 44 percent of the City's tax revenue and 7 percent of the water and sewage disposal revenue.

One of these taxpayers, Automotive Components Holdings, is scheduled to close its facility in 2008, affecting revenues for the fiscal year ending June 30, 2009. This taxpayer accounts for approximately 5 percent of the City's tax revenue and 1 percent of the water and sewage disposal revenue.

Note 13 - Pension Trust and Retiree Health Fund Condensed Information

The following are condensed financial statements for the retirement and retiree healthcare systems:

	Pension Trust Fund	Retiree Health Care Fund	Total
Statement of Net Assets			
Cash and investments	\$ 138,863,650	\$ 10,494,635	\$ 149,358,285
Other assets	524,615	89,673	614,288
Liabilities	14,044,009	365,356	14,409,365
Net assets	125,344,256	10,218,952	135,563,208
Statement of Changes in Net Assets			
Investment income (loss)	(2,645,866)	157,725	(2,488,141)
Contributions	2,082,032	2,594,746	4,676,778
Benefit payments	5,421,626	2,043,250	7,464,876
Other decreases	81,395	95,656	177,051
Change in net assets	(6,066,855)	613,565	(5,453,290)

Required Supplemental Information

City of Monroe, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2008

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Fund Balance - Beginning of year	\$ 3,210,195	\$ 3,210,195	\$ 3,210,195	\$ -
Revenue				
Property taxes	13,782,580	13,794,988	13,780,109	(14,879)
Licenses and permits	336,300	340,340	352,325	11,985
Federal sources	-	44,049	28,907	(15,142)
State-shared revenues and grants	2,224,500	2,227,000	2,179,314	(47,686)
Charges for services	1,817,272	1,640,178	1,616,120	(24,058)
Fines and forfeitures	104,500	96,750	95,939	(811)
Interest income	550,000	625,000	631,502	6,502
Rent	38,716	53,620	55,089	1,469
Other	78,000	74,325	37,059	(37,266)
Administrative fees	763,054	621,811	621,812	1
Other sources - Transfer in	806,910	521,000	521,000	-
Total revenue	20,501,832	20,039,061	19,919,176	(119,885)
Expenditures				
General government:				
City Council	151,730	144,550	129,518	15,032
City manager	335,098	319,242	302,434	16,808
Clerk-Treasurer	502,657	834,493	824,073	10,420
Finance	461,922	383,700	375,007	8,693
Assessor	353,151	334,982	334,030	952
Attorney	259,317	235,278	234,493	785
Human resources	297,371	308,834	308,831	3
Engineering	329,576	165,529	164,559	970
City hall grounds	299,537	292,727	289,280	3,447
Total general government	2,990,359	3,019,335	2,962,225	57,110
Public safety:				
Police	5,831,288	5,865,110	5,730,739	134,371
Fire	5,102,538	5,097,497	5,092,383	5,114
Zoning/Ordinance enforcement	265,841	272,047	234,772	37,275
Total public safety	11,199,667	11,234,654	11,057,894	176,760
Public works - Department of Public Services	1,799,564	2,034,477	2,034,217	260
Community development	308,230	248,889	241,772	7,117

City of Monroe, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund (Continued) Year Ended June 30, 2008

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Expenditures (Continued)				
Recreation and culture:				
Historic District Commission	\$ 5,650	\$ 3,510	\$ 1,604	\$ 1,906
Social services	155,500	155,500	155,500	-
Public access TV	126,250	126,603	126,603	-
Recreation	2,351,238	2,148,760	2,100,400	48,360
Library	68,500	68,500	68,500	-
Total recreation and culture	2,707,138	2,502,873	2,452,607	50,266
Debt service	210,157	209,249	209,248	1
Interest expense	42,888	42,888	42,888	-
Contingencies	135,000	-	-	-
Other uses - Transfers out	1,108,829	927,080	926,866	214
Total expenditures	20,501,832	20,219,445	19,927,717	291,728
Change in Fund Balance	-	(180,384)	(8,541)	171,843
Fund Balance - End of year	\$ 3,210,195	\$ 3,029,811	\$ 3,201,654	\$ 171,843

City of Monroe, Michigan

Required Supplemental Information Budgetary Comparison Schedule - Economic Development Fund Year Ended June 30, 2008

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Fund Balance - Beginning of year	\$ 609,927	\$ 609,927	\$ 609,927	\$ -
Revenues				
Federal sources	-	-	1,188,533	1,188,533
State sources	-	811,351	668,607	(142,744)
Interest income	15,629	95,755	49,803	(45,952)
Other	-	-	195,568	195,568
Proceeds from issuance of long-term debt	-	2,200,000	763,510	(1,436,490)
Other sources - Transfer in	60,000	-	-	-
Total revenues	75,629	3,107,106	2,866,021	(241,085)
Expenditures				
Public works	10,000	3,294,739	3,020,740	273,999
Other uses - Transfer out	-	233,263	-	233,263
Total expenditures	10,000	3,528,002	3,020,740	507,262
Change in Fund Balance	65,629	(420,896)	(154,719)	266,177
Fund Balance - End of year	<u><u>\$ 675,556</u></u>	<u><u>\$ 189,031</u></u>	<u><u>\$ 455,208</u></u>	<u><u>\$ 266,177</u></u>

City of Monroe, Michigan

Note to Required Supplemental Information Year Ended June 30, 2008

Note - Budgetary Information

The budgets for the General and Economic Development Funds have been prepared in accordance with accounting principles generally accepted in the United States of America, with the exception that operating transfers and debt proceeds have been included in the "revenue" and/or "expenditures" categories, rather than as "other financing sources (uses)." See Note 2 of the basic financial statements for further information regarding the budgetary process.

City of Monroe, Michigan

Required Supplemental Information General Employees' Retirement System Schedule of Funding Progress and Employer Contributions June 30, 2008 (Dollar amounts in thousands)

The schedule of funding progress is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Overfunded) AAL (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	Overfunded AAL as a Percentage of Covered Payroll
12/31/02	\$ 110,362	\$ 81,224	\$ (29,138)	135.9	\$ 12,515	232.8
12/31/03	110,752	86,365	(24,387)	128.2	12,573	194.0
12/31/04	111,524	98,058	(13,466)	113.7	13,016	103.5
12/31/05	118,935	101,937	(16,998)	116.7	13,233	128.5
12/31/06	124,033	105,394	(18,639)	117.7	13,007	143.3
12/31/07	130,366	110,753	(19,613)	117.7	13,372	146.7

The schedule of employer contributions is as follows:

Fiscal Year Ended	Actuarial Valuation Date	Annual Required Contribution*	Percentage Contributed
06/30/03	12/31/01	\$ -	100.0
06/30/04	12/31/02	-	100.0
06/30/05	12/31/03	-	100.0
06/30/06	12/31/04	479,028	100.0
06/30/07	12/31/04**	487,016	100.0
06/30/08	12/31/05	1,444,880	100.0

* The required contribution is expressed to the City as a percentage of payroll.

** Through the year ended June 30, 2006, the City's annual required contribution was determined by the actual valuation dated 18 months prior. Beginning with the fiscal year ended June 30, 2007, the City's annual required contribution was determined by the actuarial valuation 30 months prior.

City of Monroe, Michigan

Required Supplemental Information General Employees' Retirement System Schedule of Funding Progress and Employer Contributions (Continued) June 30, 2008

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of December 31, 2007, the latest actuarial valuation date, is as follows:

General Employees' Retirement System

Actuarial cost method	Entry age
Amortization method	Level percent
Amortization period	28
Asset valuation method	4-year smoothed market
Actuarial assumptions:	
Investment rate of return**	7.5%
**Includes inflation at	4.5%
Seniority/Merit	0% -4%
Cost of living adjustments	2%-3%

Other Supplemental Information

Nonmajor Governmental Funds

Special Revenue Funds

The **Major Streets Fund** accounts for the construction, maintenance, and repairs of all major streets. Financing is provided by state-shared gas and weight taxes, local contributions, and bonding. This fund is operated under the provisions of Michigan's Act 51 of the Public Acts of 1951, as amended.

The **Local Streets Fund** accounts for the construction, maintenance, and repairs of all local streets. Financing is provided by state-shared gas and weight taxes, local contributions, and bonding. This fund is operated under the provisions of Michigan's Act 51 of the Public Acts of 1951, as amended.

The **Rubbish, Garbage, and Recycling Fund** accounts for the funds provided by a special tax millage for the collection and removal of solid waste. This fund was authorized by a vote of the people authorizing a tax levy.

The **Parking Meter Fund** accounts for collection of parking fees and fines and offsetting costs.

The **Grants Fund** accounts for entitlements received under the federally funded Community Development Block Grant program. These funds are used to provide approved Block Grant projects and programs.

The **Budget Stabilization Fund** accounts for funds earmarked for use in balancing the budget in future years.

The **Drug Forfeiture Fund** accounts for proceeds of forfeited property seized in connection with a violation of the controlled substance statutes, Public Act 135 of 1985 (MCLA 333,7521-7524).

The **Airport Fund** accounts for the operations of Custer Airport. Financing is provided by user charges.

The **Building Safety Fund** accounts for operations of construction code activities.

The **Expendable Trust Fund** accounts for money held in trust resulting from donations to be used for a particular purpose.

Nonmajor Governmental Funds (Continued)

Debt Service Funds

The **Debt Service Fund** accounts for the accumulation of resources and payment of general obligation bond principal and interest from governmental resources and special assessment levies, for which the government is obligated in some manner for payment.

The **Building Authority Fund** is used to account for the accumulation of resources and payment of general obligation bond principal and interest related to the multi-sports complex.

Capital Projects Fund

The **Capital Projects Fund** is used to account for the development of capital facilities other than those financed by the operations of an Enterprise Fund.

City of Monroe, Michigan

	Special Revenue Funds					
	Major Streets	Local Streets	Rubbish, Garbage, and Recycling	Parking Meter	Grants	Budget Stabilization
Assets						
Cash and cash equivalents	\$ 601,945	\$ 145,609	\$ 765,345	\$ 115,358	\$ 121,219	\$ 14
Investments	119,439	-	818,000	-	-	1,999,986
Receivables:						
Customer receivables	-	-	-	-	-	-
Property taxes	-	-	243,972	-	-	-
Economic development loans	-	-	-	-	71,749	-
Special assessment receivable	13,108	-	-	-	-	-
Accrued interest	11	28	2,303	129	346	-
Other	327	-	-	113,625	-	-
Other assets	-	-	-	-	-	-
Due from other funds	-	39,587	-	-	-	-
Due from other governmental units	163,403	55,129	-	-	91,383	-
Total assets	\$ 898,233	\$ 240,353	\$ 1,829,620	\$ 229,112	\$ 284,697	\$ 2,000,000
Liabilities and Fund Balances						
Liabilities						
Accounts payable	\$ 12,862	\$ 11,008	\$ 200,135	\$ 2,218	\$ -	\$ -
Accrued and other liabilities	-	-	-	1,744	-	-
Deferred revenue	10,945	-	1,496,219	113,625	-	-
Due to other funds	39,587	-	-	8	82,729	-
Total liabilities	63,394	11,008	1,696,354	117,595	82,729	-
Fund Balances - Unreserved	834,839	229,345	133,266	111,517	201,968	2,000,000
Total liabilities and fund balances	\$ 898,233	\$ 240,353	\$ 1,829,620	\$ 229,112	\$ 284,697	\$ 2,000,000

Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2008

Special Revenue Funds				Debt Service Funds		Nonmajor Capital Projects Fund		Total Nonmajor Governmental Funds
Drug Forfeiture	Airport	Building Safety	Expendable Trust	Debt Service	Building Authority	Capital Projects Fund		
\$ 80,148	\$ 18,572	\$ 98,792	\$ 83,095	\$ 2,237	\$ 15,672	\$ 147,685	\$ 2,195,691	
-	-	-	-	-	162,000	1,154,337	4,253,762	
-	38,035	-	-	-	-	-	38,035	
-	-	-	-	529	-	8,760	253,261	
-	-	-	-	-	-	-	71,749	
-	-	-	-	-	-	151,051	164,159	
235	3	98	-	1	789	5,161	9,104	
-	-	250	14,661	-	-	-	128,863	
-	23,978	-	1,354	-	-	7,763	33,095	
-	-	-	-	-	-	69,654	109,241	
-	-	-	-	-	-	31,462	341,377	
\$ 80,383	\$ 80,588	\$ 99,140	\$ 99,110	\$ 2,767	\$ 178,461	\$ 1,575,873	\$ 7,598,337	
\$ 7	\$ 26,876	\$ 1,274	\$ 24,229	\$ -	\$ 14,964	\$ 192,079	\$ 485,652	
-	2,281	8,830	-	-	-	-	12,855	
-	-	-	-	529	-	169,256	1,790,574	
-	-	31	-	-	-	-	122,355	
7	29,157	10,135	24,229	529	14,964	361,335	2,411,436	
80,376	51,431	89,005	74,881	2,238	163,497	1,214,538	5,186,901	
\$ 80,383	\$ 80,588	\$ 99,140	\$ 99,110	\$ 2,767	\$ 178,461	\$ 1,575,873	\$ 7,598,337	

City of Monroe, Michigan

	Special Revenue Funds					
	Major Streets	Local Streets	Rubbish, Garbage, and Recycling	Parking Meter	Grants	Budget Stabilization
Revenue						
Property taxes	\$ -	\$ -	\$ 1,272,697	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Federal sources	-	-	-	-	238,867	-
State sources	1,746,359	336,434	-	-	-	-
Charges for service	-	-	7,215	144,188	-	-
Interest income	36,658	3,363	42,020	4,174	7,348	-
Special assessments	4,942	-	-	-	-	-
Rent	-	-	-	-	-	-
Other	21,309	-	-	-	76,745	-
Total revenue	1,809,268	339,797	1,321,932	148,362	322,960	-
Expenditures						
Current services:						
Public safety	-	-	-	128,019	-	-
Public works	1,633,324	812,105	1,242,081	-	-	-
Health and welfare	-	-	-	-	88,864	-
Capital outlay	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Total expenditures	1,633,324	812,105	1,242,081	128,019	88,864	-
Excess of Revenue Over (Under)						
Expenditures	175,944	(472,308)	79,851	20,343	234,096	-
Other Financing Sources (Uses)						
Transfers in	-	614,752	-	-	-	-
Transfers out	(505,785)	-	-	(948)	(167,004)	-
Total other financing sources (uses)	(505,785)	614,752	-	(948)	(167,004)	-
Net Change in Fund Balances	(329,841)	142,444	79,851	19,395	67,092	-
Fund Balances - Beginning of year	1,164,680	86,901	53,415	92,122	134,876	2,000,000
Fund Balances - End of year	\$ 834,839	\$ 229,345	\$ 133,266	\$ 111,517	\$ 201,968	\$ 2,000,000

Other Supplemental Information
Combining Statement of Revenue, Expenditures, and Changes
in Fund Balances - Nonmajor Governmental Funds
Year Ended June 30, 2008

Special Revenue Funds			Debt Service Funds			Nonmajor Capital Projects Fund	
Drug Forfeiture	Airport	Building Safety	Expendable Trust	Debt Service	Building Authority	Capital Projects Fund	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,272,697
-	-	524,452	-	-	-	-	524,452
-	-	-	-	-	-	79,315	318,182
-	-	-	20,300	-	-	-	2,103,093
-	211,912	-	-	-	-	-	363,315
3,483	623	4,365	-	735	8,485	76,023	187,277
-	-	-	-	-	-	75,559	80,501
-	111,854	-	-	-	452,336	-	564,190
8,207	2,734	-	50,480	-	-	96,938	256,413
11,690	327,123	528,817	70,780	735	460,821	327,835	5,670,120
8,473	-	-	-	-	-	-	136,492
-	333,050	433,576	78,869	-	-	807,936	5,340,941
-	-	-	-	-	-	-	88,864
-	-	-	-	-	14,959	613,368	628,327
-	-	-	-	20,000	461,610	-	481,610
8,473	333,050	433,576	78,869	20,000	476,569	1,421,304	6,676,234
3,217	(5,927)	95,241	(8,089)	(19,265)	(15,748)	(1,093,469)	(1,006,114)
-	23,272	-	-	20,000	-	515,306	1,173,330
-	-	(6,985)	-	-	-	(521,000)	(1,201,722)
-	23,272	(6,985)	-	20,000	-	(5,694)	(28,392)
3,217	17,345	88,256	(8,089)	735	(15,748)	(1,099,163)	(1,034,506)
77,159	34,086	749	82,970	1,503	179,245	2,313,701	6,221,407
\$ 80,376	\$ 51,431	\$ 89,005	\$ 74,881	\$ 2,238	\$ 163,497	\$ 1,214,538	\$ 5,186,901

City of Monroe, Michigan

Other Supplemental Information Budgetary Comparison Schedules - Nonmajor Governmental Funds Year Ended June 30, 2008

Special Revenue Fund - Major Streets

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Revenues and Other Sources				
State sources	\$ 1,606,525	\$ 1,918,146	\$ 1,746,359	\$ (171,787)
Interest income	42,000	37,000	36,658	(342)
Other	-	21,610	26,251	4,641
Total revenues and other sources	<u>\$ 1,648,525</u>	<u>\$ 1,976,756</u>	<u>\$ 1,809,268</u>	<u>\$ (167,488)</u>
Expenditures and Other Uses				
Public works	\$ 1,793,325	\$ 2,014,632	\$ 1,633,324	\$ 381,308
Other uses - Transfers out	507,500	510,000	505,785	4,215
Total expenditures and other uses	<u>\$ 2,300,825</u>	<u>\$ 2,524,632</u>	<u>\$ 2,139,109</u>	<u>\$ 385,523</u>

Special Revenue Fund - Local Streets

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Revenues and Other Sources				
State sources	\$ 340,000	\$ 340,000	\$ 336,434	\$ (3,566)
Interest income	500	3,500	3,363	(137)
Other	2,000	-	-	-
Other sources - Transfers in	507,500	618,967	614,752	(4,215)
Total revenues and other sources	<u>\$ 850,000</u>	<u>\$ 962,467</u>	<u>\$ 954,549</u>	<u>\$ (7,918)</u>
Expenditures and Other Uses				
Public works	\$ 769,000	\$ 868,569	\$ 812,105	\$ 56,464
Other uses - Transfers out	26,000	26,000	-	26,000
Total expenditures and other uses	<u>\$ 795,000</u>	<u>\$ 894,569</u>	<u>\$ 812,105</u>	<u>\$ 82,464</u>

City of Monroe, Michigan

Other Supplemental Information Budgetary Comparison Schedules - Nonmajor Governmental Funds (Continued) Year Ended June 30, 2008

Special Revenue Fund - Rubbish, Garbage, and Recycling

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Revenues				
Property taxes	\$ 1,275,166	\$ 1,277,076	\$ 1,272,697	\$ (4,379)
Charges for service	11,500	11,500	7,215	(4,285)
Interest income	35,000	40,000	42,020	2,020
Total revenues	<u>\$ 1,321,666</u>	<u>\$ 1,328,576</u>	<u>\$ 1,321,932</u>	<u>\$ (6,644)</u>
Expenditures - Public works	<u>\$ 1,302,700</u>	<u>\$ 1,326,996</u>	<u>\$ 1,242,081</u>	<u>\$ 84,915</u>

Special Revenue Fund - Parking Meter

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Revenues				
Charges for service	\$ 145,000	\$ 140,000	\$ 144,188	\$ 4,188
Interest income	3,000	5,000	4,174	(826)
Total revenues	<u>\$ 148,000</u>	<u>\$ 145,000</u>	<u>\$ 148,362</u>	<u>\$ 3,362</u>
Expenditures and Other Uses				
Public safety	\$ 169,346	\$ 143,599	\$ 128,019	\$ 15,580
Other uses - Transfer out	948	948	948	-
Total expenditures and other uses	<u>\$ 170,294</u>	<u>\$ 144,547</u>	<u>\$ 128,967</u>	<u>\$ 15,580</u>

City of Monroe, Michigan

Other Supplemental Information Budgetary Comparison Schedules - Nonmajor Governmental Funds (Continued) Year Ended June 30, 2008

Special Revenue Fund - Grants

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Revenues and Other Sources				
Federal sources	\$ 647,500	\$ 895,000	\$ 238,867	\$ (656,133)
Interest income	6,974	7,274	7,348	74
Other	-	-	76,745	76,745
Total revenues and other sources	<u>\$ 654,474</u>	<u>\$ 902,274</u>	<u>\$ 322,960</u>	<u>\$ (579,314)</u>
Expenditures and Other Uses				
Health and welfare	\$ 100,000	\$ 390,000	\$ 88,864	\$ 301,136
Other uses - Transfer out	547,500	522,000	167,004	354,996
Total expenditures and other uses	<u>\$ 647,500</u>	<u>\$ 912,000</u>	<u>\$ 255,868</u>	<u>\$ 656,132</u>

Special Revenue Fund - Drug Forfeiture

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Revenues				
Interest income	\$ 2,750	\$ 2,750	\$ 3,483	\$ 733
Other	12,000	12,000	8,207	(3,793)
Total revenues	<u>\$ 14,750</u>	<u>\$ 14,750</u>	<u>\$ 11,690</u>	<u>\$ (3,060)</u>
Expenditures - Public safety	<u>\$ 11,590</u>	<u>\$ 11,400</u>	<u>\$ 8,473</u>	<u>\$ 2,927</u>

City of Monroe, Michigan

Other Supplemental Information Budgetary Comparison Schedules - Nonmajor Governmental Funds (Continued) Year Ended June 30, 2008

Special Revenue Fund - Airport

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Revenues				
Charges for service	\$ 225,000	\$ 225,395	\$ 211,912	\$ (13,483)
Rent	87,700	101,300	111,854	10,554
Other	-	1,700	2,734	1,034
Interest income	150	-	623	623
Other sources - Transfers in	19,500	19,500	23,272	3,772
Total revenues	<u>\$ 332,350</u>	<u>\$ 347,895</u>	<u>\$ 350,395</u>	<u>\$ 2,500</u>
Expenditures - Public works	<u>\$ 332,638</u>	<u>\$ 329,165</u>	<u>\$ 333,050</u>	<u>\$ (3,885)</u>

Special Revenue Fund - Building Safety

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Revenues				
Licenses and permits	\$ 413,100	\$ 526,000	\$ 524,452	\$ (1,548)
Interest income	-	-	4,365	4,365
Other sources - Transfers in	118,327	-	-	-
Total revenues	<u>\$ 531,427</u>	<u>\$ 526,000</u>	<u>\$ 528,817</u>	<u>\$ 2,817</u>
Expenditures and Other Uses				
Public works	\$ 524,442	\$ 445,159	\$ 433,576	\$ 11,583
Other uses - Transfers out	6,985	6,985	6,985	-
Total expenditures and other uses	<u>\$ 531,427</u>	<u>\$ 452,144</u>	<u>\$ 440,561</u>	<u>\$ 11,583</u>

City of Monroe, Michigan

Other Supplemental Information **Budgetary Comparison Schedules - Nonmajor Governmental Funds** **(Continued)** **Year Ended June 30, 2008**

Special Revenue Fund - Expendable Trust

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Revenues - Other revenue	<u><u>\$ -</u></u>	<u><u>\$ 73,410</u></u>	<u><u>\$ 70,780</u></u>	<u><u>\$ (2,630)</u></u>
Expenditures - Public works	<u><u>\$ -</u></u>	<u><u>\$ 142,791</u></u>	<u><u>\$ 78,869</u></u>	<u><u>\$ 63,922</u></u>

City of Monroe, Michigan

Other Supplemental Information Budgetary Comparison Schedules - Nonmajor Governmental Funds (Continued) Year Ended June 30, 2008

Debt Service Fund - Debt Service

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Revenues				
Interest income	\$ -	\$ 650	\$ 735	\$ 85
Other sources - Transfers in	20,000	20,000	20,000	-
Total revenues	<u>\$ 20,000</u>	<u>\$ 20,650</u>	<u>\$ 20,735</u>	<u>\$ 85</u>
Expenditures - Debt service	<u>\$ 20,000</u>	<u>\$ 20,000</u>	<u>\$ 20,000</u>	<u>\$ -</u>

Debt Service Fund - Building Authority

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Revenues				
Interest on investments	\$ 9,500	\$ 9,500	\$ 8,485	\$ (1,015)
Rent	452,336	452,336	452,336	-
Total revenues	<u>\$ 461,836</u>	<u>\$ 461,836</u>	<u>\$ 460,821</u>	<u>\$ (1,015)</u>
Expenditures				
Debt service	\$ 461,836	\$ 461,836	\$ 461,610	\$ 226
Miscellaneous	-	14,500	14,959	(459)
Total expenditures	<u>\$ 461,836</u>	<u>\$ 476,336</u>	<u>\$ 476,569</u>	<u>\$ (233)</u>

City of Monroe, Michigan

Other Supplemental Information Budgetary Comparison Schedules - Nonmajor Governmental Funds (Continued) Year Ended June 30, 2008

Capital Projects Fund - Capital Projects

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Revenues				
State sources	\$ -	\$ 15,457	\$ -	\$ (15,457)
Interest income	185,934	80,000	76,023	(3,977)
Special assessments	28,000	119,784	75,559	(44,225)
Other	70,000	70,000	96,938	26,938
Other sources - Transfers in	950,100	876,791	515,306	(361,485)
Proceeds from issuance of long-term debt	150,000	-	-	-
Total revenues	<u>\$ 1,384,034</u>	<u>\$ 1,162,032</u>	<u>\$ 763,826</u>	<u>\$ (398,206)</u>
Expenditures and Other Uses				
Public works	\$ 949,000	\$ 2,172,742	\$ 807,936	\$ 1,364,806
Capital outlay	249,100	1,100,969	613,368	487,601
Other sources - Transfers out	606,910	521,000	521,000	-
Total expenditures and other uses	<u>\$ 1,805,010</u>	<u>\$ 3,794,711</u>	<u>\$ 1,942,304</u>	<u>\$ 1,852,407</u>

Internal Service Funds

The **Stores and Equipment Fund** accounts for the costs of acquiring and maintaining equipment and supplies utilized in the operations of the City. Departments are charged a rate sufficient to cover all costs, plus a provision for depreciation and replacement.

The **Information Systems Fund** records the operations of the management information systems department, which includes procurement and maintenance of equipment and computing support for informational needs of the City. Financing is provided by reimbursement from user service charges.

The **Insurance Fund** accounts for payment of public liability premiums.

The **Employee Benefits Fund** accounts for payment of certain employee benefits including health care and workers' compensation for which the City is self-insured and finances its claim payments through budgeted transfers from other funds.

City of Monroe, Michigan

Other Supplemental Information Combining Statement of Net Assets Internal Service Funds June 30, 2008

	Stores and Equipment	Information Systems	Insurance	Employee Benefits	Total
Assets					
Current assets:					
Cash and investments:	\$ 92,655	\$ 178,267	\$ 59,529	\$ 545,763	\$ 876,214
Investments	-	191,000	142,000	1,511,000	1,844,000
Receivables:					
Interest	46	876	332	6,779	8,033
Other	5,049	119	-	165,264	170,432
Due from other funds	-	-	-	1,217	1,217
Due from component units	-	-	-	13	13
Prepaid costs and other assets	-	-	312,886	-	312,886
Inventories	62,580	-	-	-	62,580
Total current assets	160,330	370,262	514,747	2,230,036	3,275,375
Noncurrent assets - Capital assets	1,302,539	44,626	-	-	1,347,165
Total assets	1,462,869	414,888	514,747	2,230,036	4,622,540
Liabilities					
Current:					
Accounts payable	36,659	25,448	9,670	9,122	80,899
Accrued liabilities	27,575	2,548	-	2,169,636	2,199,759
Current portion of long-term debt	37,505	-	-	-	37,505
Due to other funds	22	1	-	-	23
Total current liabilities	101,761	27,997	9,670	2,178,758	2,318,186
Noncurrent liabilities - Long-term debt - Net of current portion	159,230	-	-	-	159,230
Total liabilities	260,991	27,997	9,670	2,178,758	2,477,416
Net Assets					
Invested in capital assets - Net of related debt	1,105,804	44,626	-	-	1,150,430
Unrestricted	96,074	342,265	505,077	51,278	994,694
Total net assets	<u>\$ 1,201,878</u>	<u>\$ 386,891</u>	<u>\$ 505,077</u>	<u>\$ 51,278</u>	<u>\$ 2,145,124</u>

City of Monroe, Michigan

Other Supplemental Information Combining Statement of Revenue, Expenses, and Changes in Net Assets Internal Service Funds Year Ended June 30, 2008

	Stores and Equipment	Information Systems	Insurance	Employee Benefits	Total
Operating Revenue					
Charges to other funds	\$ 848,462	\$ 393,403	\$ 354,303	\$ 2,911,111	\$ 4,507,279
Other	<u>22,689</u>	<u>2,710</u>	<u>-</u>	<u>17,406</u>	<u>42,805</u>
Total operating revenue	871,151	396,113	354,303	2,928,517	4,550,084
Operating Expenses					
Operations and maintenance	750,744	340,312	421,245	3,698,286	5,210,587
Depreciation	<u>155,408</u>	<u>10,217</u>	<u>-</u>	<u>-</u>	<u>165,625</u>
Total operating expenses	<u>906,152</u>	<u>350,529</u>	<u>421,245</u>	<u>3,698,286</u>	<u>5,376,212</u>
Operating Income (Loss)	(35,001)	45,584	(66,942)	(769,769)	(826,128)
Nonoperating Revenue (Expense)					
Investment income	-	21,164	18,792	116,141	156,097
Interest expense	<u>(9,692)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(9,692)</u>
Total nonoperating revenue (expense)	<u>(9,692)</u>	<u>21,164</u>	<u>18,792</u>	<u>116,141</u>	<u>146,405</u>
Income (Loss) - Before transfers	(44,693)	66,748	(48,150)	(653,628)	(679,723)
Transfers					
Transfers from other funds	25,000	-	-	240,651	265,651
Transfers to other funds	<u>(15,217)</u>	<u>(68,835)</u>	<u>-</u>	<u>-</u>	<u>(84,052)</u>
Total transfers	<u>9,783</u>	<u>(68,835)</u>	<u>-</u>	<u>240,651</u>	<u>181,599</u>
Net Loss	(34,910)	(2,087)	(48,150)	(412,977)	(498,124)
Net Assets - Beginning of year	<u>1,236,788</u>	<u>388,978</u>	<u>553,227</u>	<u>464,255</u>	<u>2,643,248</u>
Net Assets - End of year	<u><u>\$ 1,201,878</u></u>	<u><u>\$ 386,891</u></u>	<u><u>\$ 505,077</u></u>	<u><u>\$ 51,278</u></u>	<u><u>\$ 2,145,124</u></u>

City of Monroe, Michigan

Other Supplemental Information Combining Statement of Cash Flows Internal Service Funds Year Ended June 30, 2008

	Stores and Equipment	Information Systems	Insurance	Employee Benefits	Total
Cash Flows from Operating Activities					
Cash received from customers	\$ 849,761	\$ 393,284	\$ 410,170	\$ 2,891,319	\$ 4,544,534
Payments to suppliers	(469,912)	(99,462)	(417,778)	(3,799,376)	(4,786,528)
Payments to employees for wages and benefits	(395,023)	(237,521)	-	(288,737)	(921,281)
Other receipts	22,689	2,710	-	17,406	42,805
Net cash provided by (used in) operating activities	7,515	59,011	(7,608)	(1,179,388)	(1,120,470)
Cash Flows from Noncapital Financing Activities -					
Transfers in (out)	9,783	(68,835)	-	240,651	181,599
Cash Flows from Capital and Related Financing Activities					
Principal and interest paid on long-term debt	(45,765)	-	-	-	(45,765)
Proceeds from issuance of debt	159,230	-	-	-	159,230
Purchase of capital assets	(159,465)	(21,869)	-	-	(181,334)
Net cash used in capital and related financing activities	(46,000)	(21,869)	-	-	(67,869)
Cash Flows from Investing Activities					
Interest received on investments	-	22,727	19,738	140,048	182,513
Purchase of investment securities	-	-	(68,000)	-	(68,000)
Proceeds from sale and maturities of investment securities	-	12,000	-	604,000	616,000
Net cash provided by (used in) investing activities	-	34,727	(48,262)	744,048	730,513
Net Increase (Decrease) in Cash and Cash Equivalents	(28,702)	3,034	(55,870)	(194,689)	(276,227)
Cash and Cash Equivalents - July 1, 2007	121,357	175,233	115,399	740,452	1,152,441
Cash and Cash Equivalents - June 30, 2008	<u>\$ 92,655</u>	<u>\$ 178,267</u>	<u>\$ 59,529</u>	<u>\$ 545,763</u>	<u>\$ 876,214</u>
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities					
Operating income (loss)	\$ (35,001)	\$ 45,584	\$ (66,942)	\$ (769,769)	\$ (826,128)
Adjustments to reconcile operating income (loss) to net cash from operating activities:					
Depreciation	155,408	10,217	-	-	165,625
Changes in assets and liabilities:					
Receivables	1,299	(119)	-	(23,296)	(22,116)
Due from other funds	-	-	55,867	3,504	59,371
Due from component units	-	-	-	5	5
Prepaid costs and other assets	(46)	-	(6,201)	200	(6,047)
Inventory	(29,112)	-	-	-	(29,112)
Accounts payable	(15,801)	21,627	9,668	(355,961)	(340,467)
Accrued and other liabilities	(13,305)	(18,243)	-	(34,071)	(65,619)
Due to other funds	(55,927)	(55)	-	-	(55,982)
Net cash provided by (used in) operating activities	<u>\$ 7,515</u>	<u>\$ 59,011</u>	<u>\$ (7,608)</u>	<u>\$ (1,179,388)</u>	<u>\$ (1,120,470)</u>

Pension and Other Employee Benefit Trust Funds

The **Pension Trust Fund** accounts for the activities of the Monroe Employees' Retirement System, which accumulates resources for pension benefit payments to qualified city employees. The money in this fund is obtained by employer pension expenses from operating funds (employer contributions), employee payroll deductions (employee contributions), and investment earnings.

The **Retiree Health Care Fund** accounts for costs related to retiree healthcare benefits. Financing is provided through budgeted transfers from other funds.

City of Monroe, Michigan

Other Supplemental Information Combining Statement of Net Assets Fiduciary Funds - Pension and Other Employee Benefit Trust Funds June 30, 2008

	Pension Trust	Retiree Health Care	Total
Assets			
Cash and cash equivalents	\$ -	\$ 801,209	\$ 801,209
Investments:			
U.S. government	24,196,999	2,111,139	26,308,138
Stocks	51,211,471	6,489,273	57,700,744
Corporate bonds	22,571,074	1,093,014	23,664,088
Mutual funds	24,020,341	-	24,020,341
Other investments	3,304,052	-	3,304,052
Securities lending short-term collateral	13,559,713	-	13,559,713
Receivables:			
Interest	524,615	166	524,781
Other	-	89,507	89,507
Total assets	139,388,265	10,584,308	149,972,573
Liabilities			
Accrued and other liabilities	484,296	365,356	849,652
Amounts due to broker under securities lending agreement	13,559,713	-	13,559,713
Total liabilities	14,044,009	365,356	14,409,365
Net Assets - Held in trust for pension and other employee benefits	\$ 125,344,256	\$ 10,218,952	\$ 135,563,208

City of Monroe, Michigan

Other Supplemental Information Combining Statement of Changes in Net Assets Fiduciary Funds - Pension and Other Employee Benefit Trust Funds Year Ended June 30, 2008

	Pension Trust	Retiree Health Care	Total
Additions			
Investment income:			
Interest and dividends	\$ 3,840,639	\$ 281,925	\$ 4,122,564
Net decrease in fair value of investments	(5,715,363)	(124,200)	(5,839,563)
Less investment expenses	(860,860)	-	(860,860)
Net investment income (loss)	(2,735,584)	157,725	(2,577,859)
Securities lending income:			
Interest and fees	821,360	-	821,360
Less borrower rebates and bank fees	(731,642)	-	(731,642)
Net securities lending income	89,718	-	89,718
Contributions:			
Employer	1,444,880	2,594,746	4,039,626
Employee	637,152	-	637,152
Total contributions	2,082,032	2,594,746	4,676,778
Total additions	(563,834)	2,752,471	2,188,637
Deductions			
Benefit payments	5,421,626	2,043,250	7,464,876
Refunds of contributions	59,555	-	59,555
Administrative expenses	21,840	95,656	117,496
Total deductions	5,503,021	2,138,906	7,641,927
Net Increase (Decrease)	(6,066,855)	613,565	(5,453,290)
Net Assets Held in Trust for Pension and Other Employee Benefits			
Beginning of year	131,411,111	9,605,387	141,016,498
End of year	<u>\$ 125,344,256</u>	<u>\$ 10,218,952</u>	<u>\$ 135,563,208</u>

Agency Fund

The **Agency Fund** accounts for tax collections that are held by the City in the capacity of trustee. The collections are then transferred to the other governmental units on a timely distribution basis.

City of Monroe, Michigan

Other Supplemental Information Combining Statement of Changes in Assets and Liabilities Agency Fund Year Ended June 30, 2008

Agency Fund	Balance at July 1, 2007	Additions	Deletions	Balance at June 30, 2008
Assets				
Cash and cash equivalents	\$ 8,529,170	\$ 98,434,745	\$ 97,321,035	\$ 9,642,880
Other assets	<u>4,005,689</u>	<u>33,554,363</u>	<u>34,917,695</u>	<u>2,642,357</u>
Total assets	<u>\$ 12,534,859</u>	<u>\$ 131,989,108</u>	<u>\$ 132,238,730</u>	<u>\$ 12,285,237</u>
Liabilities				
Accounts payable	\$ 76,479	\$ 970,642	\$ 1,038,040	\$ 9,081
Accrued and other liabilities	7,304	-	7,304	-
Due to other governmental units	<u>12,451,076</u>	<u>34,210,390</u>	<u>34,385,310</u>	<u>12,276,156</u>
Total liabilities	<u>\$ 12,534,859</u>	<u>\$ 35,181,032</u>	<u>\$ 35,430,654</u>	<u>\$ 12,285,237</u>

Statistical Section

This part of the Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

The statistical section is organized into the following main categories:

- Financial trends
- Revenue capacity
- Debt capacity
- Demographic and economic information
- Operating information

Financial Trends

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

City of Monroe, Michigan

Financial Trends Net Assets by Component

	2004	2005	2006	2007	2008
Governmental Activities					
Invested in capital assets -					
Net of related debt	\$ 71,362,624	\$ 69,001,428	\$ 68,662,294	\$ 67,326,685	\$ 65,521,257
Restricted	3,060,630	2,488,896	1,620,483	1,517,780	1,568,799
Unrestricted	<u>9,021,764</u>	<u>9,393,005</u>	<u>8,104,377</u>	<u>8,522,827</u>	<u>6,474,374</u>
Total net assets	83,445,018	80,883,329	78,387,154	77,367,292	73,564,430
Business-type Activities, as restated					
Invested in capital assets -					
Net of related debt	42,499,859	44,939,561	47,466,608	47,466,608	48,598,334
Unrestricted	<u>14,801,823</u>	<u>14,478,292</u>	<u>12,401,910</u>	<u>12,401,910</u>	<u>12,142,548</u>
Total net assets	57,301,682	59,417,853	59,868,518	59,868,518	60,740,882
Primary Government in Total					
Invested in capital assets -					
Net of related debt	113,862,483	113,940,989	116,128,902	114,793,293	114,119,591
Restricted	3,060,630	2,488,896	1,620,483	1,517,780	1,568,799
Unrestricted	<u>23,823,587</u>	<u>23,871,297</u>	<u>20,506,287</u>	<u>20,924,737</u>	<u>18,616,922</u>
Total net assets	<u>\$ 140,746,700</u>	<u>\$ 140,301,182</u>	<u>\$ 138,255,672</u>	<u>\$ 137,235,810</u>	<u>\$ 134,305,312</u>

Note: In fiscal year 2004, the City adopted GASB 34 and began reporting a government-wide statement of net assets

City of Monroe, Michigan

Financial Trends Changes in Governmental and Business-type Net Assets

	2004	2005	2006*	2007	2008
Expenses					
Governmental activities:					
General government	\$ 2,739,358	\$ 2,797,809	\$ 3,703,272	\$ 3,475,626	\$ 2,543,977
Public safety	9,438,673	9,955,878	10,167,563	10,557,003	12,093,279
Public works	8,535,047	10,419,518	8,991,478	8,073,568	10,697,812
Community development	1,856,992	559,559	913,348	1,056,860	1,383,129
Culture and recreation	2,083,546	1,535,537	2,336,309	2,299,055	2,176,732
Interest on long-term debt	428,843	335,422	268,285	290,567	273,314
Total governmental activities	25,082,459	25,603,723	26,380,255	25,752,679	29,168,243
Business-type activities, as restated:					
Water	4,204,020	4,793,103	5,284,633	5,772,384	6,028,092
Wastewater	5,447,142	5,641,788	5,787,812	5,849,335	6,159,888
Total business-type activities	9,651,162	10,434,891	11,072,445	11,621,719	12,187,980
Total primary government expenses	34,733,621	36,038,614	37,452,700	37,374,398	41,356,223
Program Revenues					
Governmental activities:					
Charges for services:					
General government	226,571	87,348	116,994	144,448	146,008
Public safety	1,181,297	1,238,814	1,280,660	1,251,333	1,508,019
Public works	387,788	407,955	1,169,010	657,196	726,972
Community development	5,691	302,682	367,937	902,972	1,696,001
Culture and recreation	1,252,575	1,184,312	1,121,457	975,343	892,473
Operating grants and contributions	2,683,511	1,987,274	2,088,844	2,389,324	1,515,662
Capital grants and contributions	24,051	3,918	3,188	5,036	4,942
Total governmental activities program revenue	5,761,484	5,212,303	6,148,090	6,325,652	6,490,077
Business-type activities:					
Charges for services:					
Water	4,704,174	5,028,934	4,877,286	4,954,923	5,599,299
Wastewater	5,461,691	5,329,404	5,457,644	6,079,243	6,245,312
Capital grants and contributions	534,856	1,919,510	885,144	268,370	941,925
Total business-type activities program revenues	10,700,721	12,277,848	11,220,074	11,302,536	12,786,536
Total primary government program revenues	16,462,205	17,490,151	17,368,164	17,628,188	19,276,613
Net (Expense) Revenue					
Governmental activities	(19,320,975)	(20,391,420)	(20,232,165)	(19,427,027)	(22,678,166)
Business-type activities	1,049,559	1,842,957	147,629	(319,183)	598,556
Total primary government net expense	(18,271,416)	(18,548,463)	(20,084,536)	(19,746,210)	(22,079,610)

City of Monroe, Michigan

Financial Trends Changes in Governmental and Business-type Net Assets (Continued)

	2004	2005	2006*	2007	2008
General Revenues and Other Changes in Net Assets					
Governmental activities:					
Property taxes	\$ 13,547,001	\$ 14,288,246	\$ 14,207,450	\$ 14,695,520	\$ 15,221,446
State-shared revenues	2,211,290	2,175,483	2,155,107	2,092,605	2,092,805
Investment earnings	321,738	519,669	816,760	1,086,134	1,029,899
Franchise fees	249,297	213,223	224,351	244,743	253,205
Gain on sale of capital assets	431,055	509,664	351	10,423	-
Miscellaneous	26,719	82,105	179,772	221,219	204,379
Transfers	41,835	41,341	152,199	56,521	73,570
Total governmental activities	16,828,935	17,829,731	17,735,990	18,407,165	18,875,304
Business-type activities:					
Investment earnings	253,806	308,659	343,595	468,483	347,378
Gain on sale of capital assets	21,485	-	12,365	-	-
Miscellaneous	5,743	5,896	6,496	-	-
Transfers	(41,835)	(41,341)	(152,199)	(56,521)	(73,570)
Total business-type activities	239,199	273,214	210,257	411,962	273,808
Total primary government	17,068,134	18,102,945	17,946,247	18,819,127	19,149,112
Changes in Net Assets					
Governmental activities	(2,492,040)	(2,561,689)	(2,496,175)	(1,019,862)	(3,802,862)
Business-type activities	1,288,758	2,116,171	357,886	92,779	872,364
Total primary government	<u>\$ (1,203,282)</u>	<u>\$ (445,518)</u>	<u>\$ (2,138,289)</u>	<u>\$ (927,083)</u>	<u>\$ (2,930,498)</u>

* The presentation of certain 2006 items has been reclassified to conform to their presentation in 2007.

Note: In fiscal year 2004, the City adopted GASB 34 and began reporting a government-wide statement of net assets.

City of Monroe, Michigan

	1999	2000	2001	2002
General Fund				
Reserved	\$ -	\$ -	\$ -	\$ 25,603
Unreserved	<u>1,837,618</u>	<u>2,156,796</u>	<u>2,949,279</u>	<u>2,577,075</u>
Total General Fund	<u>\$ 1,837,618</u>	<u>\$ 2,156,796</u>	<u>\$ 2,949,279</u>	<u>\$ 2,602,678</u>
All Other Governmental Funds				
Reserved	\$ -	\$ -	\$ -	\$ 213,051
Unreserved, reported in:				
Special Revenue Funds	2,266,875	3,252,175	4,086,784	5,255,000
Capital Project Funds	2,371,131	2,706,628	2,021,597	1,167,365
Debt Service Funds	<u>689,619</u>	<u>688,546</u>	<u>758,681</u>	<u>109,727</u>
Total all other governmental funds	<u>\$ 5,327,625</u>	<u>\$ 6,647,349</u>	<u>\$ 6,867,062</u>	<u>\$ 6,745,143</u>

Financial Trends
Fund Balances, Governmental Funds
Last Ten Fiscal Years

2003	2004	2005	2006	2007	2008
\$ 24,016	\$ 40,989	\$ 24,775	\$ 27,217	\$ 1,414,153	\$ 1,414,423
2,921,594	2,955,892	3,182,447	2,961,834	1,796,042	1,787,231
\$ 2,945,610	\$ 2,996,881	\$ 3,207,222	\$ 2,989,051	\$ 3,210,195	\$ 3,201,654
\$ -	\$ -	\$ -	\$ -	\$ 1,191,050	\$ -
5,833,155	6,033,496	5,534,777	4,121,530	3,536,885	4,261,836
1,344,826	1,699,590	1,800,999	1,510,776	1,922,651	1,214,538
120,172	149,986	177,132	203,430	180,748	165,735
\$ 7,298,153	\$ 7,883,072	\$ 7,512,908	\$ 5,835,736	\$ 6,831,334	\$ 5,642,109

City of Monroe, Michigan

	Year Ended			
	1999	2000	2001	2002
Revenue				
Property taxes	\$ 11,354,877	\$ 11,503,032	\$ 12,218,537	\$ 12,498,929
Licenses and permits	482,142	528,411	580,729	970,254
Federal grants	635,238	226,141	189,089	342,733
State-shared revenues and grants	4,302,649	4,277,137	4,868,206	4,501,469
Charges for services	321,607	369,032	969,235	2,113,160
Fines and forfeitures	115,541	102,866	135,059	117,898
Interest and rent	831,395	971,013	1,147,544	1,068,914
Special assessment	111,080	221,444	141,902	99,040
Other	292,714	334,923	514,614	438,484
Total revenue	18,447,243	18,533,999	20,764,915	22,150,881
Expenditures				
Current:				
General government	2,335,224	2,458,253	2,893,395	3,048,006
Public safety	7,350,452	7,394,091	7,578,789	7,827,038
Public works	5,085,821	4,484,654	7,267,506	6,309,539
Health and welfare	468,836	550,387	419,701	448,615
Community development	-	-	-	-
Recreation and culture	363,344	343,368	388,560	1,861,874
Capital outlay	1,167,421	899,816	2,069,934	1,852,104
Debt service:				
Principal and interest	125,734	44,186	63,964	401,150 **
Principal	-	-	-	-
Interest	-	-	-	-
Other	734,429	954,150	776,065	626,528
Total expenditures	17,631,261	17,128,905	21,457,914	22,374,854
Excess of Revenue Over (Under) Expenditures	815,982	1,405,094	(692,999)	(223,973)
Other Financing Sources (Uses)				
Transfers in	1,540,850	1,613,329	3,334,349	1,769,212
Transfers out	(1,577,987)	(1,459,288)	(1,716,208)	(1,221,897)
Debt issuance	-	-	176,865	237,835
Debt defeasance	-	-	-	-
Total other financing sources (uses)	(37,137)	154,041	1,795,006	785,150
Net Change in Fund Balances	778,845	1,559,135	1,102,007	561,177
Fund Balances - Beginning of year	6,441,418	7,305,768	8,864,903	8,938,716
Fund Balances - End of year	\$ 7,220,263	\$ 8,864,903 *	\$ 9,966,910	\$ 9,499,893 *
Capital expenditures	***	***	***	***
Debt service as a percentage of noncapital expenditures	0.76%	0.27%	0.33%	1.95%

* An accounting change affected the beginning fund balance.

** Debt service breakdown between principal and interest prior to this period is not readily available.

*** Capital expenditures not readily available

Financial Trends
Changes in Fund Balances,
Governmental Funds
Last Ten Fiscal Years

June 30

2003	2004	2005	2006	2007	2008
\$ 13,065,797	\$ 13,563,896	\$ 14,218,480	\$ 14,173,323	\$ 14,627,273	\$ 15,052,806
607,016	637,729	668,905	666,396	636,857	876,777
45,485	993,458	715,489	1,161,034	1,258,043	1,535,622
4,117,679	3,960,290	3,891,595	4,065,658	3,855,401	4,951,014
2,318,962	2,233,263	2,344,394	2,530,856	2,432,815	1,979,435
129,293	144,332	140,653	122,831	104,389	95,939
882,947	789,697	914,299	1,317,782	1,509,709	1,487,861
147,885	148,979	103,708	99,574	67,846	80,501
978,171	889,444	773,486	412,848	357,454	489,040
22,293,235	23,361,088	23,771,009	24,550,302	24,849,787	26,548,995
3,220,607	3,296,274	3,253,491	3,601,498	3,524,862	2,759,546
8,185,968	8,357,193	9,383,688	9,515,712	9,758,318	11,101,482
6,015,857	6,586,255	7,394,001	9,669,372	7,411,954	10,395,898
439,951	398,816	448,739	396,127	352,177	330,636
-	215,966	-	-	-	-
1,969,654	2,594,465	2,073,256	2,210,452	2,536,156	2,452,607
570,646	376,895	908,326	697,254	808,054	628,327
-	-	-	-	-	-
181,344	192,642	350,719	289,589	265,000	444,548
308,497	300,809	224,099	229,370	260,879	289,198
581,915	262,590	11,285	14,856	-	-
21,474,439	22,581,905	24,047,604	26,624,230	24,917,400	28,402,242
818,796	779,183	(276,595)	(2,073,928)	(67,613)	(1,853,247)
1,242,542	1,474,820	1,489,795	2,506,811	1,743,876	1,694,330
(1,317,468)	(1,617,813)	(1,989,777)	(2,328,226)	(1,866,431)	(1,802,359)
-	-	5,915,250	-	1,406,910	763,510
-	-	(5,298,496)	-	-	-
(74,926)	(142,993)	116,772	178,585	1,284,355	655,481
743,870	636,190	(159,823)	(1,895,343)	1,216,742	(1,197,766)
9,499,893	10,243,763	10,879,953	10,720,130	8,824,787	10,041,529
\$ 10,243,763	\$ 10,879,953	\$ 10,720,130	\$ 8,824,787	\$ 10,041,529	\$ 8,843,763
***	***	***	\$ 3,838,980	\$ 2,446,104	\$ 3,216,045
2.34%	2.22%	2.48%	2.28%	2.34%	2.91%

Revenue Capacity

These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.

City of Monroe, Michigan

Tax Year	Taxable Value by Property Type						
	Real Property					Personal Property	Total Value
	Residential	Commercial	Industrial	Agricultural and Other	IFT		
1999	\$ 267,614,270	\$ 66,086,600	\$ 324,143,260	\$ 239,090	\$ 18,430,045	\$ 132,878,240	\$ 809,391,505
2000	279,313,850	68,823,050	324,759,020	491,490	16,885,735	125,922,810	816,195,955
2001	295,303,870	72,200,730	326,205,935	554,690	22,434,675	119,482,790	836,182,690
2002	312,909,660	78,539,070	342,452,570	564,450	19,568,030	120,261,014	874,294,794
2003	327,755,545	81,832,880	363,119,650	471,330	25,625,750	113,617,820	912,422,975
2004	346,190,730	86,951,110	366,377,490	620,010	28,052,840	108,042,460	936,234,640
2005	365,730,580	91,437,540	362,735,560	760,530	26,419,080	107,305,420	954,388,710
2006	388,094,290	94,485,370	360,158,560	614,740	24,187,715	103,392,860	970,933,535
2007	405,380,660	101,619,590	357,835,380	629,050	27,269,820	109,037,880	1,001,772,380

Source: City of Monroe Assessor

Revenue Capacity
Assessed Value and Actual Value of Taxable Property
Last Nine Fiscal Years

Tax Rate (Mills)	Estimated Actual Value	Value as a Percentage of Actual
15.5030	\$ 1,802,045,660	44.92
15.0030	1,842,824,640	44.29
15.0030	1,894,874,580	44.13
15.0030	2,006,987,448	43.56
15.0030	2,115,321,120	43.13
15.3156	2,163,634,080	43.27
15.3156	2,197,095,020	43.44
15.3790	2,227,183,960	43.59
15.3790	2,288,397,220	43.78

City of Monroe, Michigan

Millage Rates - Direct City Taxes					Overlapping			
Tax Year	General Operating	Debt	Special Purpose	Total Direct Taxes	County	Community College	Intermediate School District	Library
Monroe School District								
2008	13.6390	-	1.9100	15.5490	5.2952	2.1794	4.7541	1.0000
2007	13.6390	-	1.7400	15.3790	5.2952	2.1794	4.7541	1.0000
2006	13.6390	-	1.7400	15.3790	5.2952	2.1794	4.7541	1.0000
2005	13.7156	-	1.6000	15.3156	5.4052	2.1794	4.7541	1.0000
2004	13.9656	-	1.3500	15.3156	5.4046	2.1857	4.7541	1.0000
2003	13.6530	-	1.3500	15.0030	5.3773	2.1785	4.7700	0.8111
2002	13.6530	-	1.3500	15.0030	5.4768	2.1949	4.7924	0.8173
2001	13.7530	-	1.2500	15.0030	5.4843	2.1980	4.8010	0.8185
2000	13.7530	-	1.2500	15.0030	5.4907	2.2007	4.8010	0.4891
1999	13.2530	-	1.2500	14.5030	5.4993	2.2043	4.8189	0.4899
Jefferson School District								
2008	13.6390	-	1.9100	15.5490	5.2952	2.1794	4.7541	1.0000
2007	13.6390	-	1.7400	15.3790	5.2952	2.1794	4.7541	1.0000
2006	13.6390	-	1.7400	15.3790	5.2952	2.1794	4.7541	1.0000
2005	13.7156	-	1.6000	15.3156	5.4052	2.1794	4.7541	1.0000
2004	13.9656	-	1.3500	15.3156	5.4046	2.1857	4.7541	1.0000
2003	13.6530	-	1.3500	15.0030	5.3773	2.1785	4.7700	0.8111
2002	13.6530	-	1.3500	15.0030	5.4768	2.1949	4.7924	0.8173
2001	13.7530	-	1.2500	15.0030	5.4843	2.1980	4.8010	0.8185
2000	13.7530	-	1.2500	15.0030	5.4907	2.2007	4.8010	0.4891
1999	13.2530	-	1.2500	14.5030	5.4993	2.2043	4.8189	0.4899

Note: City of Monroe has no Jefferson School District homestead properties located in its boundaries.

Source: City of Monroe Assessor

Note: Michigan law restricts the maximum millage that may be levied by the City without a vote of our residents, as follows:

	General Operating	Debt	Special Purpose
2008	14.6644	-	2.9328

**Revenue Capacity
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years**

Rates				Total Tax Rate	
Public Transportation	State Education	School - Homestead	School - Nonhomestead	Homestead	Non- homestead
0.6199	6.0000	0.9985	18.9985	36.3961	54.3961
0.4896	6.0000	0.9985	18.9985	36.0958	54.0958
0.4981	6.0000	0.9985	18.9985	36.1043	54.1043
0.4825	6.0000	0.9985	18.9985	36.1353	54.1353
0.3922	6.0000	0.9985	18.9985	36.0507	54.0507
0.3346	5.0000	0.9941	18.9941	34.4686	52.4686
0.3311	6.0000	0.9974	18.9974	35.6129	53.6129
0.3151	6.0000	0.9989	18.9989	35.6188	53.6188
0.3127	6.0000	0.9998	18.9998	35.2970	53.2970
0.2507	6.0000	1.0000	19.0000	34.7661	52.7661
0.6199	6.0000	-	18.0000	35.3976	53.3976
0.4896	6.0000	0.9985	18.9985	36.0958	54.0958
0.4981	6.0000	-	18.0000	35.1058	53.1058
0.4825	6.0000	-	18.0000	35.1368	53.1368
0.3922	6.0000	-	18.0000	35.0522	53.0522
0.3346	5.0000	-	18.0000	33.4745	51.4745
0.3311	6.0000	-	18.0000	34.6155	52.6155
0.3151	6.0000	0.1770	18.1770	34.7969	52.7969
0.3127	6.0000	0.2100	18.2100	34.5072	52.5072
0.2507	6.0000	0.1900	18.1900	33.9561	51.9561

City of Monroe, Michigan

Revenue Capacity Principal Property Taxpayers

	Tax Year 2007			Tax Year 2000*		
	Taxable Value	Rank	Percentage of Total	Taxable Value	Rank	Percentage of Total
Detroit Edison	\$ 333,343,120	1	33.28%	\$ 321,798,760	1	39.52
Automotive Components Holdings	50,053,628	2	5.00%			
Macsteel Monroe, Inc.	45,884,470	3	4.58%	25,704,630	3	3.16
International Transmission Company	8,464,990	4	0.85%			
Howard Ternes Packing Company	6,888,450	5	0.69%	4,948,480	6	0.61
Riverbend Commons, LLC	5,419,030	6	0.54%			
Monroe Bank & Trust	5,231,200	7	0.52%			
National Galvanizing	4,661,390	8	0.47%	5,279,910	5	0.65
Oak Forest APT Investors, LLC	3,694,140	9	0.37%			
Holiday Inn of Monroe	3,151,670	10	0.31%	2,421,820	10	0.29
Ford Motor Company				48,412,810	2	5.95
Visteon Corporation				10,440,200	4	1.28
IKO Monroe				4,693,420	7	0.58
Benchmark Homes				3,048,330	8	0.37
La-Z-Boy Chair Company				2,455,360	9	0.30

Source: City of Monroe Assessor

*1998 tax year data is not available

City of Monroe, Michigan

Revenue Capacity Property Tax Levies and Collections Last Ten Fiscal Years

Tax Year	Year Ended June 30	Total Levy	Current Collections	Percent Collected	Delinquent Collections	Total Tax Collections	Levy Collected
1998	1999	\$ 10,864,753	\$ 10,584,949	97.42	\$ 244,176	\$ 10,829,125	99.67
1999	2000	11,511,622	11,321,851	98.35	182,030	11,503,881	99.93
2000	2001	11,829,828	11,358,754	96.02	433,967	11,792,721	99.69
2001	2002	12,164,082	11,520,329	94.71	547,754	12,068,083	99.21
2002	2003	12,710,425	12,428,201	97.78	194,358	12,622,559	99.31
2003	2004	13,692,619	13,478,386	98.44	202,759	13,681,145	99.92
2004	2005	14,291,466	14,012,116	98.05	271,542	14,283,658	99.95
2005	2006	14,562,887	14,236,760	97.76	313,538	14,550,298	99.91
2006	2007	15,088,559	14,605,550	96.80	459,751	15,065,301	99.85
2007	2008	15,494,010	14,975,863	96.66	473,526	15,449,389	99.71

Debt Capacity

These schedules contain information to help the reader assess the affordability of the City's current levels of outstanding debt, and the City's ability to issue additional debt in the future.

City of Monroe, Michigan

	1999	2000	2001	2002	2003
Governmental Activities					
General obligation bonds	\$ 6,519	\$ 6,436	\$ 6,312	\$ 6,177	\$ 6,036
Installment purchase agreements	101	185	220	113	-
State of Michigan loans	-	785	942	1,160	1,140
Sewer bonds	-	-	-	-	-
Revenue bonds	-	-	-	-	-
Capital leases	26	26	16	6	38
Total	6,646	7,432	7,490	7,456	7,214
Business-type Activities					
General obligation bonds	2,175	2,005	1,830	1,655	1,480
Installment purchase agreements	-	-	-	-	-
Special assessment bonds	-	-	-	-	-
Revenue bonds	-	-	-	-	-
Capital leases	-	-	-	-	-
Total	2,175	2,005	1,830	1,655	1,480
Total debt of the government	<u>\$ 8,821</u>	<u>\$ 9,437</u>	<u>\$ 9,320</u>	<u>\$ 9,111</u>	<u>\$ 8,694</u>
Total residential personal income*	\$ 419,941	\$ 440,372	\$ 455,821	\$ 461,790	\$ 484,339
Ratio of total debt to personal income	2.10%	2.14%	2.04%	1.97%	1.79%
Total population (actual)	21,964	22,076	21,873	21,701	21,726
Total debt per capita	\$ 402	\$ 427	\$ 426	\$ 420	\$ 400

Note: Data in thousands of dollars, except debt per capita

* Personal income other than census years trended based on State of Michigan percentage change

Source: U.S. Census Bureau - www.census.gov

**Debt Capacity
Ratios of Outstanding Debt
Last Ten Fiscal Years**

2004	2005	2006	2007	2008
\$ 5,883	\$ 6,179	\$ 5,930	\$ 5,705	\$ 5,510
-	-	-	607	540
1,120	999	898	1,535	2,213
-	-	-	-	-
-	-	-	-	-
174	657	528	394	415
7,177	7,835	7,356	8,241	8,678
1,285	900	3,020	2,755	8,855
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
1,285	900	3,020	2,755	8,855
\$ 8,462	\$ 8,735	\$ 10,376	\$ 10,996	\$ 17,533
\$ 493,243	\$ 510,027	\$ 525,328	\$ 542,139	\$ 563,662
1.72%	1.71%	1.98%	2.03%	3.21%
21,764	21,791	21,791	21,840	21,528
\$ 389	\$ 401	\$ 476	\$ 503	\$ 814

City of Monroe, Michigan

Fiscal Year	Tax-limited General Obligation Bonds (LTGO)	Tax- supported Bonds (UTGO)	Less Pledged Debt Service Funds	Other General Obligation Debt	Net General Bonded Debt	Taxable Value
1999	\$ 6,265,000	\$ -	\$ 66,432	\$ 380,729	\$ 6,579,297	\$ 781,352,570
2000	6,215,000	-	70,159	1,217,389	7,362,230	814,178,545
2001	6,125,000	-	96,807	1,365,324	7,393,517	818,413,670
2002	6,025,000	-	109,727	1,431,357	7,346,630	836,414,005
2003	5,920,000	-	120,172	1,293,637	7,093,465	876,196,685
2004	5,805,000	-	149,986	1,293,740	6,948,754	912,793,465
2005	6,140,000	-	177,132	1,695,128	7,657,996	936,954,310
2006	5,930,000	-	203,430	1,425,310	7,151,880	954,388,710
2007	5,705,000	-	179,245	2,535,748	8,061,503	970,933,535
2008	5,470,000	-	163,497	3,167,518	8,474,021	1,001,772,380

Debt Capacity
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years

Debt as a Percentage of Taxable Value	Population	Debt per Capita
0.84	21,964	\$ 300
0.90	22,076	333
0.90	21,873	338
0.88	21,701	339
0.81	21,726	326
0.76	21,764	319
0.82	21,791	351
0.75	21,791	328
0.83	21,840	369
0.85	21,528	394

City of Monroe, Michigan

Debt Capacity Direct and Overlapping Governmental Activities Debt

Governmental Unit	Debt Outstanding	Estimated Percent Applicable	Estimated Share of Overlapping Debt
County of Monroe	\$ 14,456,107	15.79%	\$ 2,282,619
Jefferson School District	-	2.75%	-
Monroe School District	775,000	49.26%	381,765
Monroe Intermediate School District	-	16.49%	-
Monroe County Community College	-	15.79%	-
Total overlapping debt			2,664,384
Direct City debt			14,325,000
Total direct and overlapping debt			<u><u>\$ 16,989,384</u></u>

Source: Michigan Municipal Advisory Council

City of Monroe, Michigan

	1999	2000	2001	2002
Calculation of Debt Limit				
State equalized valuation	\$ 853,329,735	\$ 901,022,830	\$ 921,412,320	\$ 947,437,290
10% of taxable value	85,332,974	90,102,283	92,141,232	94,743,729
Calculation of Debt Subject to Limit				
Total debt	8,820,729	9,437,389	8,142,562	7,832,190
Less debt not subject to limit:				
Special assessment bonds				
Revenue bonds				
Pollution abatement bonds				
Water Resources Commission or				
Court-ordered bonds -				
Net debt subject to limit	<u>8,820,729</u>	<u>9,437,389</u>	<u>8,142,562</u>	<u>7,832,190</u>
Legal Debt Margin	76,512,245	80,664,894	83,998,670	86,911,539
Net Debt Subject to Limit as				
Percent of Debt Limit	11.53%	11.70%	9.69%	9.01%

Source: City of Monroe Assessor

**Debt Capacity
Legal Debt Margin
Last Ten Fiscal Years**

2003	2004	2005	2006	2007	2008
\$ 1,003,493,724	\$ 1,057,660,560	\$ 1,081,817,040	\$ 1,098,547,510	\$ 1,113,591,980	\$ 1,144,198,610
100,349,372	105,766,056	108,181,704	109,854,751	111,359,198	114,419,861
8,655,847	8,288,205	8,178,234	9,847,508	10,054,546	15,714,717
8,655,847	8,288,205	8,178,234	9,847,508	10,054,546	15,714,717
91,693,525	97,477,851	100,003,470	100,007,243	101,304,652	98,705,144
9.44%	8.50%	8.18%	9.85%	9.93%	15.92%

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

City of Monroe, Michigan

Demographic and Economic Information Demographic and Economic Statistics Last Ten Fiscal Years

Fiscal Year	Population	Personal Income (in thousands)	Per Capita Personal Income	Unemployment Rate
1999	21,964	\$ 419,941	\$ 19,120	3.0
2000	22,076	440,372	19,948	3.4
2001	21,873	455,821	20,839	4.6
2002	21,701	461,790	21,280	5.9
2003	21,726	484,339	22,293	6.8
2004	21,764	493,243	22,663	6.7
2005	21,791	510,027	23,405	6.0
2006	21,791	525,328	24,108	5.9
2007	21,840	542,139	24,053	6.5
2008	21,528	563,662	26,183	8.3

Source: U.S. Census Bureau and Michigan Department of Labor and Economic Growth

City of Monroe, Michigan

Demographic and Economic Information Principal Employers Current Year and Six Years Prior

Taxpayer	2008 Employees	Percentage of Total	2002** Employees	Percentage of Total	2002 Rank
1 Mercy Memorial Hospital	1,246	1.73	1,246	1.70	2
2 County of Monroe	700	0.97	750	1.02	3
3 Visteon	600	0.83	1,954	2.66	1
4 DTE Energy	530	0.74	530	0.72	4
5 La-Z-Boy Incorporated	522	0.72	522	0.71	5
6 MACSteel	450	0.62			
7 Monroe Bank & Trust	401	0.56			
8 Sisters, Servants of the Immaculate Heart of Mary	265	0.37			
9 City of Monroe	238	0.33	257	0.35	7
10 Monroe Publishing Company	200	0.28			
11 North Star Steel			500	0.68	6
12 Detroit Stoker			160	0.22	8
13 Pioneer Metal Finishing			130	0.18	9
14 National Galvanizing			100	0.14	10

Source: Monroe County Chamber of Commerce and Michigan Department of Labor and Economic Growth

Note: Percentage is of total employed in Monroe County. Data on City of Monroe employment is not available

** Information for nine years prior was not available

City of Monroe, Michigan

Function/Program	1999	2000	2001	2002	2003
General government:					
City manager	4.00	4.00	5.00	5.00	5.00
Clerk/Treasurer	5.00	5.00	5.00	5.00	6.00
Assessor	4.00	4.00	4.00	4.00	4.00
City attorney	2.00	2.00	2.00	2.00	2.00
Finance	5.00	5.00	5.00	5.00	5.00
Human resources	3.00	3.00	3.00	3.00	2.00
Engineering	11.00	11.00	11.00	11.00	11.00
City Hall and grounds	3.00	3.00	3.00	3.00	3.00
Information systems	3.00	3.00	3.00	3.00	3.00
Public safety:					
Police:					
Officers	48.00	46.00	46.00	48.00	46.00
Civilians	9.00	10.00	10.00	10.00	9.00
Fire and EMS:					
Firefighters and officers	41.00	41.00	41.00	41.00	41.00
Civilians	-	-	-	-	-
Zoning/Ordinance enforcement	2.00	2.00	2.00	3.00	3.00
Building inspection	7.00	7.00	7.00	7.00	7.00
Public works - Public service					
Operations Division	32.00	30.00	28.00	30.00	30.00
Forestry Division	6.00	6.00	6.00	5.00	5.00
Parks Division	3.00	3.00	3.00	3.00	3.00
Airport	-	-	-	-	-
Community and economic development	5.00	5.00	5.00	5.00	5.00
Parks and recreation	3.00	3.00	3.00	3.00	3.00
Water	30.00	30.00	31.00	31.00	32.00
Wastewater	31.00	31.00	31.00	31.00	31.00
Total	257.00	254.00	254.00	258.00	256.00

Note: Number of positions equals the number of positions initially budgeted for the fiscal year.

Demographic and Economic Information
Full-time Equivalent Government Employees
Last Ten Fiscal Years

2004	2005	2006	2007	2008
5.00	4.00	4.00	4.00	3.00
7.00	7.00	7.00	6.00	6.00
3.50	3.50	3.60	3.60	3.60
2.00	2.00	2.00	2.00	2.00
5.00	5.00	5.00	5.00	5.00
2.00	1.42	2.00	2.00	2.00
11.00	11.00	10.00	9.50	8.50
2.00	2.50	2.20	2.20	2.35
3.00	3.00	3.00	3.00	2.00
47.00	47.00	47.00	46.00	45.00
7.00	7.00	7.00	7.00	7.00
41.00	41.00	41.00	41.00	41.00
0.50	0.50	0.40	0.40	0.40
3.50	4.40	3.75	3.75	2.75
6.00	4.60	5.90	5.55	5.40
26.00	26.00	25.50	25.00	26.00
5.00	5.00	5.50	5.00	5.00
4.00	3.00	3.00	-	-
-	-	1.00	1.00	1.00
4.50	4.50	5.15	4.00	4.00
3.00	3.00	3.00	6.00	3.00
32.00	32.00	33.00	33.00	32.00
31.00	31.00	31.00	31.00	31.00
251.00	248.42	251.00	246.00	238.00

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

City of Monroe, Michigan

Function/Program	1999	2000	2001	2002
Police:				
Physical arrests	1,629	1,075	1,150	1,240
Traffic citations and warnings	8,497	7,184	7,756	6,772
Original complaints	19,777	26,651	26,252	26,161
Fire:				
Fire incidents	1,742	1,807	2,159	2,177
EMS incidents	1,313	1,438	1,740	1,705
Inspections	200	214	189	171
Code enforcement/administration:				
Building inspections	N/A	N/A	3,323	3,887
Plumbing/Mechanical inspections	N/A	N/A	595	851
Electrical inspections	N/A	N/A	922	897
Zoning inspections	N/A	N/A	1,451	1,648
Blight complaints	N/A	209	313	3,078
Blight violations	N/A	N/A	N/A	23
Rental inspections	N/A	N/A	N/A	N/A
Public works:				
Miles of street resurfaced	2.26	0.76	1.34	1.19
Trees trimmed	2,503	2,525	2,600	2,525
Trees removed	233	230	255	245
Trees planted	200	205	230	240
Street sweeping curb miles	1,972	2,010	2,100	2,200
Storm sewers replaced (miles)	N/A	-	-	-
Storm sewers installed (miles)	N/A	-	-	1
Storm sewer miles cleaned	58	58	60	70
City property mowing hours	3,020	3,010	3,000	3,000
Parks and recreation:				
Recreation program attendance	9,426	9,555	9,388	8,524
Park/Shelter reservations	144	142	134	148
Pool admission	3,762	3,605	4,815	4,105
Water:				
Number of customers billed	49,336	50,440	51,855	54,100
New services	238	255	345	281
Average daily consumption (thousands of gallons per day)	5,397	5,999	5,248	5,137
Wastewater - Average daily sewage treatment (thousands of gallons)	12,710	12,553	12,710	13,562

N/A - Not available

Source: City records and department annual reports

Operating Information
Operating Indicators
Last Ten Fiscal Years

2003	2004	2005	2006	2007	2008
1,277	1,284	1,406	1,352	1,186	1,101
6,975	7,010	8,185	5,947	5,407	4,562
26,946	27,081	25,188	23,280	22,273	19,858
2,668	2,729	2,837	2,849	3,168	3,165
2,292	2,189	2,221	2,220	2,481	2,498
177	329	460	448	508	470
3,827	3,186	3,398	3,251	2,635	2,452
899	876	964	924	709	1,011
856	853	862	893	730	1,263
2,038	2,147	1,621	1,609	876	280
5,922	4,161	5,674	10,840	7,304	4,685
195	130	290	474	552	197
N/A	N/A	N/A	1,017	1,204	1,053
1.69	1.59	1.67	1.98	1.81	1.61
2,600	2,625	2,700	3,200	3,300	3,250
255	270	305	320	275	300
245	260	275	300	350	275
2,200	2,250	2,400	2,400	2,400	2,400
-	-	-	-	-	-
-	-	-	-	-	-
68	70	70	70	75	50
3,000	2,975	2,950	2,900	2,900	750
9,060	9,264	9,319	8,930	5,608	9,844
175	192	212	259	187	168
3,510	2,651	2,770	3,112	3,830	3,807
57,332	58,432	58,884	59,091	61,394	61,435
383	338	335	171	126	110
5,416	6,342	6,773	6,998	6,287	6,207
14,247	13,425	11,233	13,999	13,720	15,304

City of Monroe, Michigan

Function/Program	1999	2000	2001	2002
Police:				
Stations	1	1	1	1
Patrol units	14	14	14	15
Fire:				
Stations	3	3	3	3
Fire response vehicles	5	5	5	5
Emergency response vehicles	1	2	2	2
Public works:				
Streets (miles):				
Major streets	27.49	27.49	27.49	27.49
Local streets	51.57	52.27	52.27	52.41
Sidewalks	168.3	168.6	168.85	170.26
Streetlights	1,564	1,564	1,564	1,564
Traffic signals	9	10	10	10
Parks and recreation:				
Acreage	300.7	300.7	281.78	281.048
Developed parks/playgrounds	30	30	32	31
Developed fields (soccer, baseball, etc)	15	15	13	13
Libraries - Branches	2	2	2	2
Water:				
Mains (miles)	175	184	212	218
Fire hydrants	1,575	1,656	1,908	1,975
Storage capacity	6.75	6.75	6.75	6.75
Sewer:				
Miles of sanitary sewers	220	230	240	250
Miles of storm sewers	58.91	59.32	59.72	60.65
Treatment capacity (millions of gallons/day)	32	32	32	32

Source: City records and department annual reports

**Operating Information
Capital Asset Statistics
Last Ten Fiscal Years**

2003	2004	2005	2006	2007	2008
1	1	1	1	1	1
15	15	15	15	15	15
3	3	3	3	3	3
5	5	5	5	5	5
2	3	3	3	3	2
27.61	27.6	27.58	27.58	28.77	28.77
52.49	52.49	52.89	53.01	53.33	53.33
170.49	170.74	170.74	170.74	170.74	170.86
1,564	1,564	1,564	1,564	1,564	1,564
12	12	12	13	12	10
281.48	280	280	280	280	280
31	32	32	32	32	32
23	23	21	21	21	21
2	2	2	2	2	2
222	239	250	260	262	281
1,998	2,080	2,328	2,373	2,373	2,494
6.75	6.56	6.81	6.81	6.81	6.81
260	270	290	300	303	303
60.7	60.71	60.81	60.81	60.81	60.81
32	32	32	32	32	32

City of Monroe, Michigan

**Federal Awards
Supplemental Information
June 30, 2008**

City of Monroe, Michigan

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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council
City of Monroe, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Monroe, Michigan as of and for the year ended June 30, 2008, which collectively comprise the City of Monroe's basic financial statements, and have issued our report thereon dated November 12, 2008. Those basic financial statements are the responsibility of the management of the City of Monroe. Our responsibility was to express opinions on those basic financial statements based on our audit. We did not audit the financial statements of the Port of Monroe (a discretely presented proprietary component unit), which reflect total assets of \$5,246,513 at June 30, 2008 and total revenue of \$540,030 for the year then ended. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Port of Monroe, is based solely on the report of the other auditors. The other auditors' report, dated October 16, 2008, disclaimed an opinion because of significant uncertainty related to environmental remediation.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

To the Honorable Mayor and
Members of the City Council
City of Monroe, Michigan

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Monroe's basic financial statements. The accompanying schedule of expenditures of federal awards and reconciliation of basic financial statements federal revenue with schedule of expenditures of federal awards are presented for the purpose of additional analysis and are not required parts of the basic financial statements. The information in these schedules has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Plante & Moran, PLLC

November 12, 2008

Report on Internal Control Over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards*

To the Honorable Mayor and
Members of the City Council
City of Monroe, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Monroe, Michigan as of and for the year ended June 30, 2008, which collectively comprise the City of Monroe's basic financial statements, and have issued our report thereon dated November 12, 2008. Our report was modified to include a reference to other auditors. The other auditors' report, dated October 16, 2008, disclaimed an opinion because of significant uncertainty related to environmental remediation. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Port of Monroe, as described in our report on the City of Monroe, Michigan's financial statements. The financial statements of the Port of Monroe were not audited in accordance with *Governmental Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Monroe's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Monroe's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Monroe's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

To the Honorable Mayor and
Members of the City Council
City of Monroe, Michigan

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Monroe's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, federal awarding agencies, and pass-through agencies and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

November 12, 2008

Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

To the Honorable Mayor and
Members of the City Council
City of Monroe, Michigan

Compliance

We have audited the compliance of the City of Monroe, Michigan with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2008. The major federal programs of the City of Monroe are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of Monroe's management. Our responsibility is to express an opinion on the City of Monroe's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Monroe's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Monroe's compliance with those requirements.

In our opinion, the City of Monroe complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2008-1.

To the Honorable Mayor and
Members of the City Council
City of Monroe, Michigan

Internal Control Over Compliance

The management of the City of Monroe is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Monroe's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency and a material weakness.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal controls. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2008-I to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We consider the significant deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2008-I to be a material weakness.

The City of Monroe's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City of Monroe's response and, accordingly, we express no opinion on it.

To the Honorable Mayor and
Members of the City Council
City of Monroe, Michigan

This report is intended solely for the information and use of management, the federal awarding agencies, and pass-through agencies and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

November 12, 2008

City of Monroe, Michigan

Schedule of Expenditures of Federal Awards Year Ended June 30, 2008

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Pass-through Entity Project/Grant Number	Award Amount	Federal Expenditures
U.S. Department of Housing and Urban Development -				
Direct Programs - Community Development Block Grant:				
2007 Community Development Block Grant	14.218	N/A	\$ 539,224	\$ 214,232
Former CDBG RLF Converted	14.218	N/A	290,000	290,000
Community Development Block Grant - Passed through the Michigan Strategic Fund and the County of Monroe	14.228	MSC 204001-EDIG	400,000	<u>39,544</u>
Total U.S. Department of Housing and Urban Development Programs				543,776
U.S. Department of Homeland Security (FEMA) -				
FY2007 Assistance to Firefighters Grant	97.044	EMW-2007-FO-11145	44,048	28,907
U.S. Environmental Protection Agency:				
Brownfield Cleanup Revolving Loan	66.818	BL-97598201	1,200,000	1,200,000
Brownfield Cleanup Revolving Fund - Passed through the Downriver Community Conference and the Downriver Brownfield Consortium	66.818	BL-00E01001-0	1,250,000	<u>24,030</u>
Total U.S. Environmental Protection Agency				1,224,030
U.S. Department of Agriculture - Forest Service Rural Development Grant passed through the Southeast Michigan Resource Conservation and Development Council	10.672	05-DG-11244225-297	20,000	9,250
U.S. Department of Transportation - Federal Surface Program - Passed through the Michigan Department of Transportation - Surface Transportation Program High Priority Projects Program - Safetee LU	20.205	HPSL 0758004	199,600	<u>59,286</u>
Total federal awards				<u><u>\$ 1,865,249</u></u>

City of Monroe, Michigan

Reconciliation of Basic Financial Statements Federal Revenue with Schedule of Expenditures of Federal Awards Year Ended June 30, 2008

Revenue from federal sources - As reported on financial statements (includes all funds)	\$ 1,535,622
Add federal revenue reported as other revenue	24,030
Add CDBG Revolving Loan Fund converted and expended during the year	290,000
Plus expenditures not yet drawn down and not received within 60 days	25,719
Other reconciling items	<u>(10,122)</u>
Federal expenditures per the schedule of expenditures of federal awards	<u>\$ 1,865,249</u>

City of Monroe, Michigan

Note to Schedule of Expenditures of Federal Awards Year Ended June 30, 2008

Note - Significant Accounting Policies

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Monroe and is presented on the same basis of accounting as the basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

City of Monroe, Michigan

Schedule of Findings and Questioned Costs Year Ended June 30, 2008

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Qualified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes X None reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major program(s):

- Material weakness(es) identified? X Yes _____ No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes X None reported

Type of auditor's report issued on compliance for major program(s): Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? X Yes _____ No

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
14.218	U.S. Department of Housing and Urban Development - Direct Programs - Community Development Block Grant
66.818	U.S. Environmental Protection Agency - Brownfield Cleanup Revolving Loan

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? _____ Yes X No

City of Monroe, Michigan

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2008

Section II - Financial Statement Audit Findings

None

Section III - Federal Program Audit Findings

Reference Number	Findings
2008-1	<p>Program Name - Brownfield Cleanup Revolving Loan - 66.818</p> <p>Finding Type - Material noncompliance; Material weakness</p> <p>Criteria - The City is required by the grant agreement to submit quarterly reports to the Environmental Protection Agency (EPA).</p> <p>Condition - During testing, it was noted that no quarterly reports were submitted during the year ended June 30, 2008.</p> <p>Questioned Costs - None</p> <p>Context - The City has designated an individual who is responsible for ensuring quarterly reports are submitted; however, due to the close contact with the EPA on the project, the City did not complete the reports as required.</p> <p>Cause and Effect - The quarterly reports due during the year ended June 30, 2008 were not submitted due the fact that the City was working closely with the EPA on the project and was not specifically requested by the EPA to submit the reports.</p> <p>Recommendation - It is recommended that the City ensure that quarterly reports are submitted to the EPA as required by the grant agreement.</p> <p>Views of Responsible Officials and Planned Corrective Actions - The City will ensure quarterly reports are submitted going forward.</p>

City of Monroe, Michigan

**Federal Awards
Supplemental Information
June 30, 2008**

City of Monroe, Michigan

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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council
City of Monroe, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Monroe, Michigan as of and for the year ended June 30, 2008, which collectively comprise the City of Monroe's basic financial statements, and have issued our report thereon dated November 12, 2008. Those basic financial statements are the responsibility of the management of the City of Monroe. Our responsibility was to express opinions on those basic financial statements based on our audit. We did not audit the financial statements of the Port of Monroe (a discretely presented proprietary component unit), which reflect total assets of \$5,246,513 at June 30, 2008 and total revenue of \$540,030 for the year then ended. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Port of Monroe, is based solely on the report of the other auditors. The other auditors' report, dated October 16, 2008, disclaimed an opinion because of significant uncertainty related to environmental remediation.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

To the Honorable Mayor and
Members of the City Council
City of Monroe, Michigan

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Monroe's basic financial statements. The accompanying schedule of expenditures of federal awards and reconciliation of basic financial statements federal revenue with schedule of expenditures of federal awards are presented for the purpose of additional analysis and are not required parts of the basic financial statements. The information in these schedules has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Plante & Moran, PLLC

November 12, 2008

Report on Internal Control Over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards*

To the Honorable Mayor and
Members of the City Council
City of Monroe, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Monroe, Michigan as of and for the year ended June 30, 2008, which collectively comprise the City of Monroe's basic financial statements, and have issued our report thereon dated November 12, 2008. Our report was modified to include a reference to other auditors. The other auditors' report, dated October 16, 2008, disclaimed an opinion because of significant uncertainty related to environmental remediation. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Port of Monroe, as described in our report on the City of Monroe, Michigan's financial statements. The financial statements of the Port of Monroe were not audited in accordance with *Governmental Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Monroe's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Monroe's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Monroe's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

To the Honorable Mayor and
Members of the City Council
City of Monroe, Michigan

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Monroe's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, federal awarding agencies, and pass-through agencies and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

November 12, 2008

Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

To the Honorable Mayor and
Members of the City Council
City of Monroe, Michigan

Compliance

We have audited the compliance of the City of Monroe, Michigan with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2008. The major federal programs of the City of Monroe are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of Monroe's management. Our responsibility is to express an opinion on the City of Monroe's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Monroe's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Monroe's compliance with those requirements.

In our opinion, the City of Monroe complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2008-1.

To the Honorable Mayor and
Members of the City Council
City of Monroe, Michigan

Internal Control Over Compliance

The management of the City of Monroe is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Monroe's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency and a material weakness.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal controls. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2008-I to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We consider the significant deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2008-I to be a material weakness.

The City of Monroe's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City of Monroe's response and, accordingly, we express no opinion on it.

To the Honorable Mayor and
Members of the City Council
City of Monroe, Michigan

This report is intended solely for the information and use of management, the federal awarding agencies, and pass-through agencies and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

November 12, 2008

City of Monroe, Michigan

Schedule of Expenditures of Federal Awards Year Ended June 30, 2008

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Pass-through Entity Project/Grant Number	Award Amount	Federal Expenditures
U.S. Department of Housing and Urban Development -				
Direct Programs - Community Development Block Grant:				
2007 Community Development Block Grant	14.218	N/A	\$ 539,224	\$ 214,232
Former CDBG RLF Converted	14.218	N/A	290,000	290,000
Community Development Block Grant - Passed through the Michigan Strategic Fund and the County of Monroe	14.228	MSC 204001-EDIG	400,000	<u>39,544</u>
Total U.S. Department of Housing and Urban Development Programs				543,776
U.S. Department of Homeland Security (FEMA) -				
FY2007 Assistance to Firefighters Grant	97.044	EMW-2007-FO-11145	44,048	28,907
U.S. Environmental Protection Agency:				
Brownfield Cleanup Revolving Loan	66.818	BL-97598201	1,200,000	1,200,000
Brownfield Cleanup Revolving Fund - Passed through the Downriver Community Conference and the Downriver Brownfield Consortium	66.818	BL-00E01001-0	1,250,000	<u>24,030</u>
Total U.S. Environmental Protection Agency				1,224,030
U.S. Department of Agriculture - Forest Service Rural Development Grant passed through the Southeast Michigan Resource Conservation and Development Council	10.672	05-DG-11244225-297	20,000	9,250
U.S. Department of Transportation - Federal Surface Program - Passed through the Michigan Department of Transportation - Surface Transportation Program High Priority Projects Program - Safetee LU	20.205	HPSL 0758004	199,600	<u>59,286</u>
Total federal awards				<u><u>\$ 1,865,249</u></u>

City of Monroe, Michigan

Reconciliation of Basic Financial Statements Federal Revenue with Schedule of Expenditures of Federal Awards Year Ended June 30, 2008

Revenue from federal sources - As reported on financial statements (includes all funds)	\$ 1,535,622
Add federal revenue reported as other revenue	24,030
Add CDBG Revolving Loan Fund converted and expended during the year	290,000
Plus expenditures not yet drawn down and not received within 60 days	25,719
Other reconciling items	<u>(10,122)</u>
Federal expenditures per the schedule of expenditures of federal awards	<u>\$ 1,865,249</u>

City of Monroe, Michigan

Note to Schedule of Expenditures of Federal Awards Year Ended June 30, 2008

Note - Significant Accounting Policies

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Monroe and is presented on the same basis of accounting as the basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

City of Monroe, Michigan

Schedule of Findings and Questioned Costs Year Ended June 30, 2008

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Qualified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes X None reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major program(s):

- Material weakness(es) identified? X Yes _____ No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes X None reported

Type of auditor's report issued on compliance for major program(s): Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? X Yes _____ No

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
14.218	U.S. Department of Housing and Urban Development - Direct Programs - Community Development Block Grant
66.818	U.S. Environmental Protection Agency - Brownfield Cleanup Revolving Loan

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? _____ Yes X No

City of Monroe, Michigan

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2008

Section II - Financial Statement Audit Findings

None

Section III - Federal Program Audit Findings

Reference Number	Findings
2008-1	<p>Program Name - Brownfield Cleanup Revolving Loan - 66.818</p> <p>Finding Type - Material noncompliance; Material weakness</p> <p>Criteria - The City is required by the grant agreement to submit quarterly reports to the Environmental Protection Agency (EPA).</p> <p>Condition - During testing, it was noted that no quarterly reports were submitted during the year ended June 30, 2008.</p> <p>Questioned Costs - None</p> <p>Context - The City has designated an individual who is responsible for ensuring quarterly reports are submitted; however, due to the close contact with the EPA on the project, the City did not complete the reports as required.</p> <p>Cause and Effect - The quarterly reports due during the year ended June 30, 2008 were not submitted due the fact that the City was working closely with the EPA on the project and was not specifically requested by the EPA to submit the reports.</p> <p>Recommendation - It is recommended that the City ensure that quarterly reports are submitted to the EPA as required by the grant agreement.</p> <p>Views of Responsible Officials and Planned Corrective Actions - The City will ensure quarterly reports are submitted going forward.</p>

City of Monroe, Michigan

**Report to the City Council
June 30, 2008**

November 12, 2008

To the Mayor and Members of the City Council
City of Monroe, Michigan

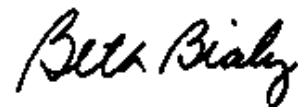
We have recently completed our audit of the basic financial statements of the City of Monroe, Michigan (the "City") for the year ended June 30, 2008. In addition to our audit report, we are providing the following letter of required audit communication, recommendations, and informational comments which impact the City:

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Other Recommendations	7-8
Informational - Legislative Matters, etc.	9-16

We are grateful for the opportunity to be of service to the City of Monroe, Michigan. Should you have any questions regarding the comments in this report, please do not hesitate to call.

Very truly yours,

Plante & Moran, PLLC



Beth A. Bialy



William E. Brickey

Report on Internal Control

November 12, 2008

To the City Council
City of Monroe, Michigan

Dear Council Members:

Beginning with last year's audit, national auditing standards call for auditors to communicate matters to the governing body that may be useful in its oversight of the City's financial management. Specifically, they require us to report internal control issues to the governing body that may be relatively minor, in order to allow it to evaluate their significance, and make any changes it may deem appropriate. In general, these are items that would have been discussed orally with management in the past. The purpose of these new standards is to allow the governing body an opportunity to discuss issues when they are relatively minor, rather than waiting until they become more serious problems. We hope this report on internal control will be helpful to you, and we look forward to being able to discuss any questions you may have concerning these issues.

In planning and performing our audit of the financial statements of the City of Monroe of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

To the City Council
City of Monroe, Michigan

November 12, 2008

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

This communication is intended solely for the information and use of management, the City Council, and others within the City and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Plante & Moran, PLLC

A handwritten signature in black ink, appearing to read "Beth Bialy".

Beth A. Bialy

A handwritten signature in black ink, appearing to read "Will Brickey".

William E. Brickey

Results of the Audit

November 12, 2008

To the Mayor and Members of the City Council
City of Monroe, Michigan

We have audited the financial statements of the City of Monroe, Michigan and the Monroe-Frenchtown Raw Water Supply Partnership (the "City") for the year ended June 30, 2008 and have issued our report thereon dated November 12, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated August 7, 2008, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. We are responsible for planning and performing the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. As part of our audit, we considered the internal control of the City. Our consideration of internal control was solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters and our audit of the financial statements does not relieve you or management of your responsibilities.

Our audit of the City's financial statements has also been conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. Under *Government Auditing Standards*, we have made some assessments of the City's compliance with certain provisions of laws, regulations, contracts, and grant agreements. While those assessments are not sufficient to identify all noncompliance with applicable laws, regulations, and contract provisions, we are required to communicate all noncompliance conditions that come to our attention. We have communicated those conditions in a separate letter dated November 12, 2008 regarding our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements.

We also are obligated to communicate certain matters related to our audit to those responsible for the governance of the City, including certain instances of error or fraud and significant deficiencies in internal control that we identify during our audit. In certain situations, *Government Auditing Standards* require disclosure of illegal acts to applicable government agencies. If such illegal acts were detected during our audit, we would be required to make disclosures regarding these acts to applicable government agencies. No such disclosures were required.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on August 15, 2008.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the City are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2008.

We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus.

There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was the estimate of accounts receivable related to unbilled water and sewer fees and healthcare costs that have been incurred but not reported.

Management's estimates of the unbilled water and sewer fees and healthcare costs that have been incurred but not reported are based on historical information and other financial data. We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were Note 5, Capital Assets, Note 7, Long-term Debt, Note 9, Defined Benefit Pension Plan, and Note 10, Other Postemployment Benefits.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For the purpose of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management's Representations

We have requested certain representations from management that are included in the management representation letter dated November 12, 2008.

Management's Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

In the normal course of our professional association with the City, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the City, and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition of our retention as the City's auditors.

To the Mayor and Members of the City Council
City of Monroe, Michigan

November 12, 2008

In addition to the comments and recommendations in this letter, our observations and comments regarding the City's internal controls, including any significant deficiencies or material weaknesses that we identified, have been reported to you in the report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with *Government Auditing Standards*. This report is included in the supplemental schedule of federal awards (single audit report), and we recommend that the matters we have noted there receive your careful consideration.

Other Information in Documents Containing Audited Financial Statements

Our responsibility relates to the City's financial statements and other information as identified in the auditor's report. We have no responsibility for any other information that may be included in documents containing those audited statements. We do not have an obligation to perform any procedures to corroborate other information contained in these documents. We read the management's discussion and analysis and statistical section, and nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially inconsistent with the information or manner of its presentation appearing in the financial statements.

This information is intended solely for the use of the mayor, members of the City Council, and management of the City and is not intended to be and should not be used by anyone other than these specified parties.

Other Recommendations

Delinquent Tax Receivable

During our review of the City's property taxes, it was noted that the City has delinquent personal property tax receivables dating back to 1994. Many of the older uncollected personal property amounts relate to businesses that have moved or ceased operations. We encourage you to pursue collection efforts where possible or to consider writing off the balances if appropriate.

Ratio of Active to Retired Employees

During our review of the actuarial report dated December 31, 2007, it was noted that the ratio of active to retired employees has been declining steeply. At December 31, 2007, there were 232 active employees compared to 210 retired employees. It was noted that this actuarial report was dated prior to the retirements effective at the end of the current fiscal year, which means the ratio has declined further since the date of the actuarial report. This demonstrates the importance of prefunding and the City should consider prefunding retiree healthcare benefits to the extent possible.

Pension Funding

During the year, the City was required to make a contribution to the pension system of approximately \$1.5 million. Based on the actuarial report dated December 31, 2007, it was noted that the actuarially determined contribution for the fiscal years ended June 30, 2009 and June 30, 2010 will be approximately \$1.4 million and \$1.5 million, respectively.

Five-year Projection Model

As you are aware, a slowdown in the State's economy directly impacts the City through reductions in state-shared revenue as well as decreases in property tax revenue and other revenue sources. In these difficult economic times, long-range planning is very important and can help the City remain proactive on budget issues. A five-year projection model would be beneficial in helping the City evaluate its long-term financial outlook.

Informational and Legislative Items

Revenue Sharing

The governor released her proposal of the State's fiscal year 2009 budget (for the year ending September 30, 2009) originally in February 2008. Over the course of budget deliberations in the spring and early summer, the legislature further debated the level of the revenue-sharing funding, resulting in a compromise by the Senate and House to fund revenue sharing equal to the projected fiscal year 2008 (fiscal year ended September 30, 2008) amounts, plus provide an increase of 2 percent of the statutory portion of revenue sharing received in fiscal year 2007. This proposal was presented to the governor on July 25 and enacted in mid-August.

Here is a summary (in millions of dollars) of the revenue-sharing budget submitted to the governor:

	FY 2007 Actual	FY 2008 Projected	FY 2009 Projected	% Change
Cities, villages and townships:				
Constitutional	\$ 666	\$ 683	\$ 676	-0.99%
Statutory	405	392	407	3.80%
Total CVTs	1,071	1,075	1,083	0.75%
Counties (statutory)	-	-	2	n/a
Total revenue sharing	\$ 1,071	\$ 1,075	\$ 1,085	0.98%

While the projection is for an overall increase of 0.75 percent (for cities, villages, and townships), the impact will not be evenly distributed between all local units. Remember, the 2 percent increase is for the statutory portion only - not the constitutional portion. The intent is for the total revenue sharing (constitutional plus statutory) in fiscal year 2009 to equal the total of constitutional and statutory revenue sharing received in fiscal year 2008, plus an additional payment equal to 2 percent of the fiscal year 2007 statutory revenue sharing received by the local unit. That may mean that for those units (primarily townships) that now receive no statutory revenue sharing, total revenue sharing projected for fiscal year 2009 will be identical to the amounts received in fiscal year 2008. We are awaiting a final distribution table from the Michigan Department of Treasury.

The governor's proposed budget also included \$2.4 million to restore state revenue-sharing payments for the six qualifying counties that will exhaust their revenue-sharing reserve funds in fiscal year 2008/2009. As you may remember, a reserve fund was created for each county in 2005 when the State eliminated counties from the revenue-sharing program (remember, counties only receive statutory revenue sharing, not constitutional). In 2005, counties were required to phase in the early collection of winter property tax payments and to create a reserve fund with a portion of these monies. Counties have been drawing on their reserve funds to replace lost statutory revenue sharing. When the reserve fund is depleted, counties will then look to the State to re-enter the statutory portion of the revenue-sharing program. Prior to their elimination from the revenue-sharing program in 2005, counties statewide received approximately \$182 million annually.

City of Monroe, Michigan

Informational (Continued)

It is encouraging that this budget funds revenue sharing at a higher level than last year. As counties have started to come back into the formula, the legislature has budgeted this as an additional payment, rather than one that reduces distributions to the other local units of government. To a great extent, however, actual revenue-sharing distributions will depend on the stability of the State's budget, as well as the actual level of state tax collections. In addition, we need to remember that the statutory formula expired in 2007 and a new, permanent formula has not been enacted - please remember to remind your state representatives of the importance of extending this legislation.

The table below details state-shared revenue for the City since 2001 broken out by statutory and constitutional portions.

<u>State Fiscal Year</u>	<u>Statutory</u>	<u>Constitutional</u>	<u>Total</u>	<u>Decrease from 2001</u>
2001	\$ 1,356,566	\$ 1,423,669	\$ 2,780,235	\$ -
2002	1,140,691	1,438,515	2,579,206	201,029
2003	970,961	1,464,720	2,435,681	344,554
2004	739,443	1,452,551	2,191,994	588,241
2005	681,829	1,483,385	2,165,214	615,021
2006	632,483	1,508,639	2,141,122	639,113
2007	600,068	1,477,291	2,077,359	702,876
2008	562,792	1,514,567	2,077,359	702,876
2009*	589,854	1,499,506	2,089,360	690,875

*estimated

If the State were to eliminate the statutory portion of revenue sharing (as the constitutional portion cannot be modified without a change to the State's constitution), the City has approximately \$590,000 at risk in its General Fund. In light of the current environment, we strongly encourage local governments to be conservative when budgeting or projecting the revenue-sharing line item.

Property Tax Developments

The front page story several months ago is now old news. For many communities in Michigan, the challenging real estate market will negatively change the taxable value trends of recent years. Many communities saw modest declines in their 2008 taxable values, and if the downward trend in the housing market continues, the impact will be larger next year. How it will actually play out in each community and over what period of time remains to be seen. While each community will need to carefully determine the impact of the current environment on its budget, there are also several pieces of legislation in Lansing that will impact property taxes going forward. Examples include:

- House Bill 4215 (Public Act 96 of 2008) allows property owners to obtain two principal residence exemptions in certain situations. The bill was designed for situations where a homeowner has purchased a new home and is unable to sell the existing home. The dual exemption only applies if certain conditions are met (i.e., the property previously occupied is for sale, not occupied, not leased or available for lease, etc.).
- A series of bills were introduced in March 2007 as part of a package to stimulate home sales (House Bills 4440, 4441, and 4442). The lead bill of that package, House Bill 4440, establishes an 18-month moratorium on the “pop-up” or “uncapping” of taxable value to state equalized value at the time of sale or transfer of a property. Property sales or transfers occurring in the timeframe of the moratorium would continue to pay property taxes at the previous taxable value amount. The “pop-up” or “uncapping” of taxable value would be delayed until the property was sold or transferred in later years. House Bill 4440 actually passed the House in March 2007 and is currently in the Michigan Senate.
- Many property owners continue to struggle with the concept that their individual taxable values actually increased during a time that overall property values - and even their individual property values - have fallen. As we all have relearned in recent months, that is a constitutional requirement that changed with Proposal A in 1994. It may be helpful to remember the principle behind Proposal A - its purpose was to disconnect taxable values from market value increases, and instead limit the growth in taxable values to the lesser of 5 percent or inflation, until that point that the property transfers ownership. Now that the market values are declining in many areas, Proposal A continues to stay disconnected and allows the taxable value to increase by the lesser of 5 percent or inflation (up until the point that it re-connects with market values).

Fairly or not, this year, many property owners said it did not feel right when they saw their taxable value increase by inflation when market value did not. This has led to a discussion as to whether a third variable, called “change in market value,” needs to be added to the Proposal A formula. In what some are calling a “super cap,” the Proposal A formula to determine annual increases in taxable value (if property is not sold or transferred) would be the lesser of three components: inflation, change in market value, or 5 percent. Therefore, if the market value of the parcel was either flat or declining - even if the taxable value of the particular parcel was less than state equalized value - there would be no annual increase. To date, the legislation putting this proposal before voters has passed the Michigan House but has not been sent over to the Senate. A change of this nature would impact local government budgets.

- As part of the changes to the single business tax last year and the introduction of the Michigan business tax (MBT), changes were also made to the calculation of tax rates applicable to industrial and commercial personal property taxes. As advertised, industrial personal property taxpayers received a reduction of the school operating mills (up to 18 mills) and the 6 mill state education tax. Commercial personal property taxpayers received a reduction of up to 12 school operating mills. However, if your community has a school district with “hold harmless” school mills, you must add back any hold harmless millage prior to computing the total mills to be levied. This may generate questions from commercial and industrial taxpayers.
- A Michigan Supreme Court case has changed how local governments can treat public service improvements by developers. Leading up to the court case, as private property owners or developers installed public service improvements (i.e., such as street lights, water and sewer lines, etc.), there was normally an increase in their property tax assessment. The Michigan Supreme Court upheld a Court of Appeals ruling that the installation of public service improvements does not constitute a taxable addition.

Reminder - Change in Investment Act

Public Act 213 of 2007, adopted at the end of 2007, requires local governments to perform their investment reporting quarterly to the governing body. The investment of surplus monies by Michigan local governments is controlled by Public Act 20 of 1943. The act previously required investment reporting annually. It is suggested that the required quarterly reports list investments by institution along with maturity dates and interest rates.

Recent Revisions to State Transportation Funding Program

Current legislation modified Act 51 to allow local governments to transfer monies from their Major Street Fund (MSF) to their Local Street Fund (LSF) at a level of 50 percent of annual major street funding received. In addition, greater than 50 percent can be transferred. However, the amended law requires that certain conditions be met to allow for a transfer in excess of 50 percent including the adoption of an asset management process for the major and local street systems as well as a detailed resolution passed by the City. It is important to note that major street monies transferred for use on local streets cannot be used for construction but may be used for preservation. Current legislation also includes a pilot program that would allow for the combination of the Major Street Fund and the Local Street Fund if certain conditions are met.

In the current instructions to the Act 51 reports, MDOT has stipulated that these transfers from the MSF to the LSF will not be allowed after December 31, 2008, except to the extent matched by local revenues expended by the city or village of the major street system. It is unclear whether the actual legislation that allows this transfer (MCL Section 247.663(12) of PA 51 of 1951, as amended) is set to expire at the end of the year. Local governmental units should, however, be aware of this potential sunset and take appropriate action prior to December 31, 2008 to make transfers that are allowable through this date.

FACT Act - Potential Impact on Municipal Utility Systems

The Fair and Accurate Credit Transactions Act was passed in 2003, with final regulations published at the end of 2007. These FTC rules, and more specifically the Red Flag Rules encompassed in them, may be applicable to municipal utility systems. The rules, put in place as a measure to protect against identity theft, indicate that a “creditor” with a “covered account” must implement a written identify theft prevention program to detect, prevent, and mitigate identity theft in connection with the opening of a covered account or any existing covered account.

Under the rules, a creditor is defined very broadly, encompassing any entity that defers payment for goods and services, as defined under the Red Flag Rules. This most likely includes municipalities that “defer payments” by their utility customers when water, sewer, electric, gas, trash, and the like are sold to customers day by day but paid for at the end of the billing cycle.

The act would require written policies and procedures to be put in place to identify and follow up on red flags. Red flags, just as an example, would be the presentation by the customer of suspicious personal information that is inconsistent with external sources or suspicious documents provided for identification that appear to be alerted. The regulations appear to be flexible so that each government would have the ability to design an identity theft program that is tailored to its particular operation, given its size, technology currently utilized, and the perceived risk of identity theft in its community.

We encourage you to follow up with legal counsel if you believe this act may apply to your governmental unit.

Other Legislative Items

- As part of Michigan's new "Planning Enabling Act," many local governments will now be required to prepare an annual "capital improvements program." This new requirement is effective September 1, 2008. According to Public Act 33 of 2008, a planning commission, after the adoption of a master plan, shall annually prepare a capital improvements program of public structures and improvements. The law does allow that if the planning commission is exempted from this requirement, the legislative body shall prepare and adopt a capital improvements program or delegate this responsibility to the administration of the local unit for the ultimate approval by the legislative body. The law provides that the capital improvement program report public structures and improvements that, in the community's judgment, will be needed or desirable within the next six years. The law also requires that the public structures and improvements included in the capital improvements program be prioritized. Townships that do not either individually or jointly own or operate a water supply or sewage disposal system are exempt from this requirement. In general, Plante & Moran strongly encourages the development of a capital plan. While the law is restricted to "public structures and improvements," we strongly encourage the inclusion of all capital assets - vehicles, machinery and equipment, office furnishings, etc. In addition, we feel the participation of the governing body (in addition to or instead of) the planning commission is good public policy.

This same public act added several other requirements of planning commissions, including annual reporting by the planning commission to the legislative body along with the mandatory creation of a master plan.

- Multiple bills are pending in Lansing that would make changes to investment laws governing Michigan communities. Changes have been proposed to add different types of investments to what is commonly referred to as "Public Act 20," which governs the investment of surplus operating monies. Changes are also being proposed to the laws governing the investment of retirement monies.
- A bill is pending in the Michigan legislature regarding retainages held by governmental units. Retainages are a common method used by local governments in procurement, particularly in the area of construction contracts. The law change focuses on reducing the retainage amount that a local government could require and stipulate the payment of interest on these monies among other provisions.
- Efforts continue in the wake of the *Bolt* case to provide a means for local units of government to engage in rate making to finance the cost of utility operations, particularly that of storm water. Senate Bill 1249 has been introduced to address the tests included in the *Bolt* decision on whether a charge is really a fee or a tax.

Legislative Items (Continued)

- At the federal level, a 2005 law change continues to get more attention as its effective date approaches. As part of the Tax Increase Prevention and Reconciliation Act of 2005, a new mandate was introduced which will require any governmental entity spending more than \$100 million a year in goods and services to withhold 3 percent of government payments beginning in 2011. Governmental units subject to this requirement will also be subject to new reporting rules for applicable payments. Numerous groups - both public and private sector, including the U.S. Department of Defense - have expressed concerns on the cost and practicality of implementing this new mandate. A bill is pending in Congress to delay implementation by a year until January 2012.